

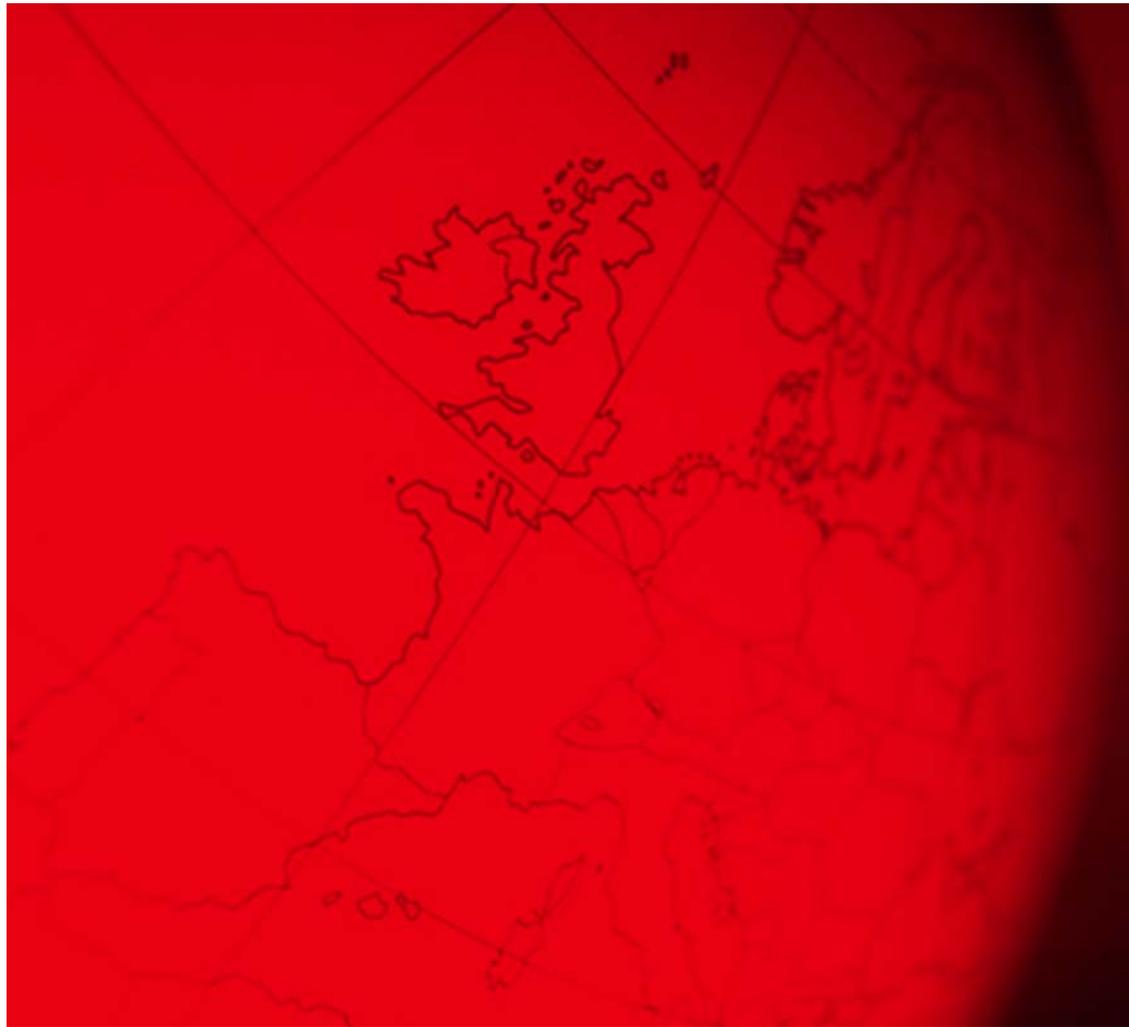
NUCLEUS
RESEARCH

July 2006

Document **G40**

REAL ROI REPORT

MICROSOFT DYNAMICS NAV



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THE BOTTOM LINE

Nucleus found 77 percent of Microsoft Dynamics NAV customers had already achieved a positive ROI from their deployment, achieving returns from areas including increased visibility and access to information, increased productivity, and reduced accounting and auditing costs.

Microsoft Dynamics NAV offers integrated business applications and services that allow small and midsize organizations to streamline their business and increase productivity. These applications also integrate easily with Microsoft core products such as Office and Windows to simplify processes across an entire organization. Ease of integration and low ongoing support make them particularly attractive to small and medium-businesses with limited IT resources. Key components of the solution include:

- Financial management
- Supply chain management
- Manufacturing
- Distribution
- Customer relationship management (CRM)
- Sales and marketing
- Service management
- E-business
- Human resources management
- Project management
- Business analytics
- Customization, system management, and development tools

This report focuses on the experience of 34 organizations using Microsoft Dynamics NAV, with an average number of users of 38.

As is Nucleus normal practice for its real ROI series, Nucleus analysts independently contacted Microsoft Dynamics NAV customers to discuss their deployments and analyze the return on investment from their projects. All customer data has been included in this report. The majority of companies provided details of their deployments on condition of anonymity. The sample includes customers from numerous vertical industries such as manufacturing, retail, transport, services, distribution, food, and non-profits – and includes data from customers in the United States, Germany, Belgium, Denmark, Spain, Poland, the Czech Republic, and Latvia.

Nucleus identified 217 NAV customers and contacted each one; 34 companies agreed to participate in interviews.

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Project teams that agreed to participate shared their experiences about selecting, customizing, integrating, and deploying Microsoft Dynamics NAV with Nucleus analysts. Interviews also included discussion of costs, benefits, challenges faced, and lessons learned from deployment.

Seventy-seven percent of Microsoft Dynamics NAV customers had already achieved a positive ROI, with an average payback period of 23 months.

WHY MICROSOFT DYNAMICS NAV

There were three main reasons why customers chose Microsoft Dynamics NAV over competitors:

- Features and functionality. A number of companies selected Microsoft Dynamics NAV because its features and functions best met their business needs and processes.
- Microsoft integration and ease of use. Some companies chose Microsoft Dynamics NAV because of its integration with their other Microsoft software and the resulting ease of adoption and use by end users.
- Vendor relationship. Other companies selected Microsoft Dynamics NAV because they already had a relationship of trust with the Microsoft Dynamics NAV business partner, who had sold them other products or were impressed by the vendor's knowledge of their business.

THE BENEFITS FROM MICROSOFT DYNAMICS NAV

Organizations reported a number of benefits they achieved from using Microsoft Dynamics NAV including:

- Reduced administrative overhead
- Increased visibility for decision making
- Improved inventory management
- Improved accounts receivables management
- Reduced accounting and audit costs

Reduced administrative overhead or increased productivity

Increased productivity among administrative and other employees was a key benefit for many Microsoft Dynamics NAV customers. Several companies reported doing more work with the same number of people, while others were experiencing reduced workloads, processing times, or headcount.

Ninety-one percent of companies were able to increase productivity, reduce headcount, or avoid additional hires as a result of their Microsoft Dynamics NAV deployment. The range of savings was from 1 FTE to 10 FTEs for companies redeploying or avoiding additional personnel, and a 10 to 30 percent average productivity increase for companies streamlining data entry. One company experienced a 300 percent increase in productivity by reducing the need to enter data into multiple systems.

A few others lowered their administrative overhead by replacing several systems with one:

- *"We're doing more transports with the same number of people. It went up 20 percent last year – the number of transport we're processing with the same staff."*
- *"Microsoft Dynamics NAV is making things a lot quicker. One report used to take three hours to pull together because we were writing it out by hand. Now it takes five minutes."*
- *"We have everything in one program, information about suppliers, customers, prices, and materials. It's much easier for us. We have more time to do everything. Time is money."*
- *"We can find the customer's payments, the sales from last year, how many phones we sold him, every piece of information we have in one file. We have got more time to speak with the customers, to do something else rather than check everything in four to six programs."*
- *"We reduced both our accounting and warehouse staffs by 50 percent."*
- *"Our revenues have grown from \$7 million to \$22 million. We would have had to add 10 people if we weren't running NAV."*

Increased information visibility for decision making

Many Microsoft Dynamics NAV users cited better visibility into data and the number, detail, and flexibility of reports as key benefits that saved time and resulted in better decision making.

Seventy-six percent of customers reported they improved the availability and visibility into information or reduced the time and cost needed for reporting by deploying Microsoft Dynamics NAV.

Companies recognized returns from improved information availability in different ways:

- *"We're able to get a lot more reports than we had before. We're able to see where our strengths and weaknesses are financially."*
- *"With the increase in data and information, we probably are in a position to make better business decisions as far as buying."*
- *"Because we could do project management, I was quickly able to identify several programs that were very costly to us, which we didn't know before. So we eliminated those programs."*
- *"Now we are realizing that we are losing money on two or three projects and the reasons why. This is important so we can take action to do something."*
- *"We have one structural system for eight countries, so that we can compare the same base of figures and have reports from all subsidiaries. Now we can benchmark and compare them."*
- *"Since NAV is integrated with our bank, there is not a chance we will post a payment incorrectly, and there is a lot better visibility. As a result, we have been borrowing less."*
- *"NAV is user friendly; I can get loads of information from it. The EDI connection is beneficial and easy to use. Reports are easier to build."*

- *"We now have better management of inventories and costs. We know our costs better. Before, we were not charging customers the right amount. Different customers were charged different amounts for similar purchases."*

Improved sales or customer satisfaction

Many companies were able to leverage visibility about pricing and customer records to increase sales force efficiency or improve customer satisfaction using Microsoft Dynamics NAV.

Thirty-five percent of Microsoft Dynamics NAV customers improved sales efficiency or customer satisfaction by deploying Microsoft Dynamics NAV.

Returns on the sales side were often recognized by the ability to support additional growth without hiring additional staff; one company noted it was able to redeploy three sales people to other tasks such as business development. For customer satisfaction, greater visibility into inventory and the ability to accurately predict when a customer could receive an order was a key benefit for a number of companies. Other companies found a common system could ensure if a customer had a complaint, all the support staff responding to the customer had a full view of previous communications and could respond faster:

- *"Before NAV, we had to call our customers back each time they had a question because we had to check everything. Now when they call we can tell them instantly. It's much better for the customer."*
- *"Since all the data is in one spot, if a customer calls me about a part, I can go to the customer sheet and see all the statistics and quotes about this customer. I can prepare for the customer service issue or sales opportunity before the conversation starts."*
- *"Now it is easier to look at inventories. This makes it easier to know if you can deliver some particular stock, and make a sale."*

Improved inventory management or change in working capital

A number of companies reported improved inventory management as a key Microsoft Dynamics NAV capability for their businesses.

Thirty-two percent of Microsoft Dynamics NAV customers improved their inventory management or improved their working capital position by deploying the solution.

For some the main benefit was access to centralized and complete inventory information while for others it is inventory control and cost reduction:

- *"When you don't get caught with excess inventory on hand, you don't have to liquidate at lower margins. We've come pretty close to maintaining what we would consider an ideal inventory level for our company. But I consider Microsoft Dynamics NAV a big part of that because it gave us the tools to do that."*
- *"We have a unified inventory, which we didn't have before. We have better control over our multi-warehousing locations."*
- *"We didn't have an inventory system prior to Microsoft Dynamics NAV. This was one of its gains: more detail and better information from inventory, accounts payable, and customer information, across the board."*

- *"Building inventory is a lot faster than in the old system. It would take 10 steps, and now it takes 2 steps," reducing the time spent from "10 to 15 minutes to 3 minutes."*
- *"Because of better inventory visibility, we reduced our inventory levels by 25 percent"*
- *"Better inventory alone has been a huge benefit. Our inventory level has decreased by 60 percent because we now make smaller purchases. We have also reduced our accounts receivable days on hand from 120 days to 18 days."*
- *"Now our inventories are lower. Market conditions change rapidly, but we can respond better with NAV. Our purchasing has changed. The quantities are smaller and more specialized, but there are more purchases."*

Reduced accounting and auditing costs

A number of companies noted time and cost savings based on the accounting and auditing functions and information available in Microsoft Dynamics NAV:

- *"We've been able to audit our billing much more accurately. That's led to a lot of savings."*
- *"We can find more mistakes in invoices."*
- *"We reduced accounting staff by three people," reducing costs by an estimated "high five figures."*
- *"Financial reporting is faster. I couldn't do detailed reports out of the old system. I had to do it manually from spreadsheets; it took two hours. Now it takes the press of a button."*
- *"We reduced the time needed to create financial reports from five hours to five minutes."*

Other key savings areas for some companies included reduced IT costs for those replacing multiple systems, reduced communication costs, and reduced travel costs.

KEY COST AREAS

Key cost areas where companies invested to support a Microsoft Dynamics NAV deployment include software, hardware, personnel, consulting, and training. All investments made in non-US currencies were converted into dollars for the purposes of this analysis.

Software

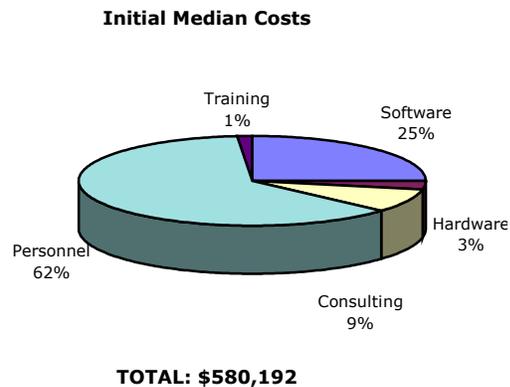
The initial software investment to support a Microsoft Dynamics NAV deployment ranged from \$1,800 to \$3.5 million with a median of \$100,000 and an average of \$259,906. The scale of software investment depended on the number of components purchased as well as the need for additional reporting capabilities. In many cases, implementation services were packaged as part of the overall software investment. On the high end, a government agency that deployed in a number of its agencies invested \$3.5 million in software. If this customer had been excluded from the data, the average would have been \$255,871.

For software maintenance, the average annual fee was 17 percent of the initial license investment, with a median investment of 15 percent. This figure includes both the Microsoft standard maintenance and, in some cases, an additional annual

maintenance percentage that is charged by the Microsoft Dynamics NAV partner for support.

Table 1. The median 3-year cost of a Microsoft Dynamics NAV deployment

<i>Initial costs</i>		
Software	\$100,000	
Consulting	\$50,000	
Hardware	\$17,500	
Personnel	\$120,000	3 FTEs for 6 months at fully loaded cost.
Training	\$7,692	16 hours per user at fully loaded cost.
<i>Ongoing costs</i>		
Software	\$15,000	15% annual maintenance
Personnel	\$80,000	1 FTE at fully loaded cost.
Total 3-year costs	\$580,192	



Consulting

The median consulting investment for organizations investing in Microsoft Dynamics NAV consulting was \$50,000, with a low of \$0 and a high of \$1 million. The average consulting investment was \$169,476. Many companies did not report consulting fees because implementation services were packaged into their initial license price. Companies that spent the most on consulting did significant customization of the Microsoft Dynamics NAV package to meet unique business needs. On the high end, the government agency that deployed in a number of its agencies invested \$1 million in consulting. If this customer had been excluded from the data, the average would have been \$127,950.

Hardware

A number of companies reported that they were able to leverage existing hardware to support their Microsoft Dynamics NAV project, so no additional hardware investment was needed. For companies that did invest in hardware, the median investment was \$17,500 and the average was \$36,108.

Table 2. The average 3-year cost of a Microsoft Dynamics NAV deployment

<i>Initial costs</i>		
Software	\$259,906	
Consulting	\$169,476	
Hardware	\$36,108	
Personnel	\$180,000	3 FTEs for 9 months at fully loaded cost.
Training	\$20,462	14 hours per user at fully loaded cost.
<i>Ongoing costs</i>		
Software	\$44,184	17% annual maintenance
Personnel	\$160,000	2 FTEs at fully loaded cost.
Total 3-year costs	\$1,278,504	

Personnel

The median project team needed to support a Microsoft Dynamics NAV deployment was three FTEs for a period of six months; the average was three FTEs for nine months. The time to deploy depended on the number of components deployed, the level of customization, the number of sites, and the amount of time companies spent running Microsoft Dynamics NAV and a previous system in parallel to ensure a smooth transition.

On an ongoing basis, companies devoted between 10 percent of one person's time and 6 full-time equivalents to support Microsoft Dynamics NAV, with an average of 2 and a median of 1.25.

Training

On average, users spent 14 hours in training to learn how to effectively use the Microsoft Dynamics NAV application. The median training time was 10 hours.

BEST PRACTICES

Companies that maximized ROI had clear business goals and a project plan to keep their deployment on track. They also followed other best practices for partner selection, solution piloting and testing, and limited customization.

Check partner references

Most companies were very happy with their implementation partners, but in a few cases companies had to change partners mid-deployment to ensure their goals and timelines were met. Companies considering a Microsoft Dynamics NAV investment that don't have a relationship with a Microsoft Dynamics NAV partner today should do their homework in selecting a partner to make sure that they have the solution

and industry expertise as well as the resources to support your success. Checking reference customers is a great place to start.

Take the time to pilot and parallel

A number of customers noted that pilot deployments, although slightly adding to the length of deployment time, enabled them to identify problems and opportunities to make minor adjustments in the solution to support improved processes and user adoption. This also improved user buy-in for the solution. Other companies found that running Microsoft Dynamics NAV with a previous solution in parallel enabled users to get comfortable using NAV and work out any inconsistencies in processes before full go-live.

Limit customization

Customization increases deployment time and cost. Many companies found setting a goal of limited customization enabled them to limit those costs, but more importantly, review their internal processes to determine where they should make changes before deployment. In a number of cases, an in-depth review of business processes determined that there was a more efficient way to do things than the traditional way, and Microsoft Dynamics NAV was used to support that change.

Companies planning an investment in Microsoft Dynamics NAV can also look to qualified partners to provide them with guidance on appropriate customization and process change. A number of companies that had partners with significant experience implementing Microsoft Dynamics NAV in their vertical found the partners' advice on appropriate levels of customization was completely on target.

CONCLUSION

Microsoft Dynamics NAV helps small and medium sized businesses achieve ROI by improving visibility and reducing costs. Improved visibility enables companies to make better decisions about costs and inventory in order to both improve margins and reduce inventory carrying costs. Visibility also improves customer service, accelerates product delivery, and enables managers to identify new sales opportunities in order to grow revenues. Cost reductions are enabled by the solution's ability to centralize data and improve reporting, both of which enable improvements to workflows and increase the productivity of administrative staff.