



March 2009

Document **J15**

ROI CASE STUDY GOOGLE APPS 2ND WIND

THE BOTTOM LINE

2nd Wind deployed Google Apps to replace its existing Microsoft Exchange environment and support broader collaboration, reducing IT costs while improving cross-company communication and collaboration.

ROI: 837%

Payback: 1 month

Average annual benefit: 341,177

THE COMPANY

2nd Wind was founded in Minneapolis in 1991 as a specialty used exercise equipment dealer, and grew rapidly. The company now has 100 Midwest locations in 10 states. 2nd Wind is the exclusive dealer for many top brand manufacturers including Life Fitness, Parabody, True, Hoist, PaceMaster, Vision, Octane, and others. 2nd Wind also offers a free VIP program that provides personal training, healthy recipes, fitness articles and exclusive discounts on top home fitness equipment.

THE CHALLENGE

As the company continued to grow, it was outgrowing its IT infrastructure. In late 2007 it evaluated a Microsoft Exchange upgrade and found that the upgrade, to support 300 users, would cost at least \$225,000. It also found that its collaboration and project management needs stretched beyond just Exchange and it would likely need to invest in other tools (such as Microsoft Project) as well. 2nd Wind knew it needed to explore cloud computing options that would enable it to cost-effectively managing its messaging environment while providing geographically distributed users with collaborative tools.

THE STRATEGY

2nd Wind decided to pursue an on-demand messaging and collaboration solution so it could take further advantage of the benefits of cloud computing (it already uses NetSuite for ERP and ADP for payroll). The company worked with an outside consultant to migrate existing data and provision and train users.

In addition to Gmail, 2nd Wind also uses Google Sites for its corporate intranet site, Google Video to host and display customer service videos, Google's instant messaging functionality, and Google docs, spreadsheets, and presentations.

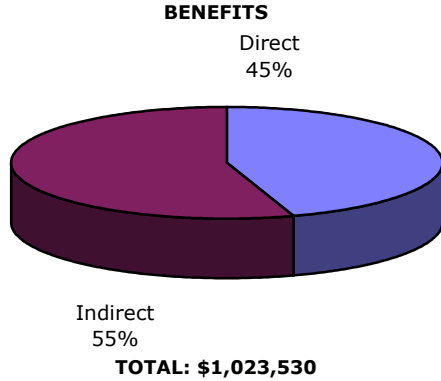
TOPICS

- Content Management & Collaboration
- Software as a Service

KEY BENEFIT AREAS

Moving to Google Apps has enabled 2nd Wind to improve communication and collaboration while reducing costs. Key benefits of the project include:

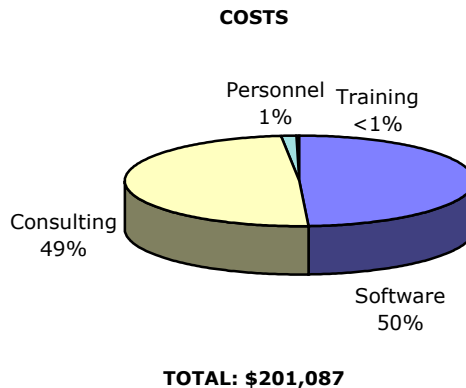
- Reduced and avoided IT costs. By moving to Google the company was able to avoid the significant investment that would have been required to support necessary upgrades to its Microsoft Exchange environment, additional intranet site development and hosting fees, and an investment in alternative project management software. 2nd Wind is also gradually reducing the number of Microsoft Office licenses it buys by moving employees to Google Apps as PCs are replaced.



- Increased productivity. Enabling collaboration across spreadsheets and documents by employees in multiple locations has reduced the time spent sending and verifying the currency of information. 2nd Wind has also used the Google videos feature to provide training on common repairs and maintenance of equipment that employees can view online, enabling them to more quickly identify equipment problems and make repairs.
- Improved employee morale. The company uses Google Apps to help promote its culture of success — something that can be difficult to achieve in a distributed retail environment that typically has high turnover. For example, 2nd Wind uses Google Video to share announcements such as sales awards, promoting the success of top performers without increasing costs.

KEY COST AREAS

Key cost areas for the project included software subscription fees, consulting, and personnel costs.



Training costs were negligible (fewer than one percent of the total 3-year cost of the project) as most employees already had experience using Google and Gmail.

BEST PRACTICES

2nd Wind found that unlike traditional applications that required training documentation, Google Video and online Docs Help provided users with the quick access to the information they needed when there was an adoption or usability issue. It also found that it could take advantage of the forms functionality within Google Sites to create easy-to-use applications that employees in stores could use to enter near real-time information like foot traffic — which could be aggregated and analyzed through Google spreadsheets to better understand the impact of marketing and other events on store visits.

CALCULATING THE ROI

Nucleus calculated the costs software subscription services, personnel, and consulting over a period of three years to quantify 2nd Wind's total investment in Google Apps.

Direct benefits included reduced and avoided costs associated with e-mail and video hosting and software licenses. Indirect benefits quantified included the time savings the company's employees recognized by being able to access videos showing the solution to simple equipment repair problems and other issues through Google videos.

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

2ND WIND

SUMMARY

Project:	Google Apps
Annual return on investment (ROI)	837%
Payback period (years)	0.08
Average annual benefit	341,177
Average annual total cost of ownership	67,029

ANNUAL BENEFITS	Pre-start	Year 1	Year 2	Year 3
Direct	0	316,150	72,000	72,000
Indirect	0	187,793	187,793	187,793
Total Benefits Per Period	0	503,943	259,793	259,793

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	33,000	33,000	33,000	0
Hardware	0	0	0	0
Consulting	0	33,000	33,000	33,000
Personnel	437	656	656	656
Training	683	0	0	0
Other	0	0	0	0
Total Per Period	34,120	66,656	66,656	33,656

FINANCIAL ANALYSIS	Pre-start	Year 1	Year 2	Year 3
Net cash flow before taxes	(34,120)	437,288	193,138	226,138
Net cash flow after taxes	(17,060)	218,644	96,569	113,069
Annual ROI - direct and indirect benefits				837%
Annual ROI - direct benefits only				286%
Net present value (NPV)				320,430
Payback (years)				0.08
Average annual cost of ownership				67,029
3-year IRR				1228%

FINANCIAL ASSUMPTIONS

All government taxes	50%
Discount rate	15%