

The New ROI: Return on Intranet

Build an intranet from scratch or subscribe to an application service provider? The ASP model is the clear-cut winner.



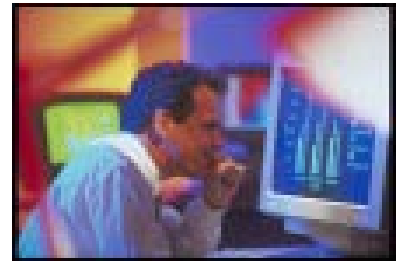
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Introduction

Before investing in information technology, buyers – particularly those in organizations keeping a close watch on the bottom line – demand to know what the return will be on the proposed investment. And given the high cost of many IT systems and services, that's not an unreasonable demand, particularly when the overall economy is in a downturn.

In some cases, it's relatively easy to project the ROI for an IT investment. For example, if a new PC has a processor that's twice as fast as the machine it will replace, you can develop a formula based on historical usage to determine that if work can be done at twice the rate as before, the new machine will pay for itself in terms of increased productivity in X weeks, months, etc.



That's a simple example of projecting ROI for an IT investment. But more often than not, accurately projecting the ROI for many IT products and services can be an elusive goal.

Calculating the ROI on an Intranet

There have been a number of reports over the past few years attempting to spell out the costs of establishing and maintaining an intranet – a private, secure Web site used by corporations and organizations to enhance communication and collaboration – and the resulting return on that investment. Most of the estimates vary widely, from a few thousand dollars to more than a million dollars. However, it's important to note that all of these ROI calculations are for intranets that an organization builds from scratch and hosts itself.

This paper will compare what's involved – in terms of time and cost – of building an intranet from scratch versus subscribing to an intranet application service provider (ASP).

Intranets: Build or Buy?

When it comes to establishing an intranet the first decision you need to make is a big one: build or buy. That is, do you need to create your intranet from scratch, which will mean a huge capital investment as well as a drain on your human resources, or is the right choice a low-cost, customizable intranet application service that will enhance communication and productivity for just a few dollars per month, per user?

First, let's take a look at the big picture and talk about the benefits that an intranet can deliver. Companies report benefits from intranets that range



from direct cost savings in document printing, distribution and storage to less quantifiable gains such as increased productivity and employee collaboration. Sun Microsystems estimates that disseminating its internal newsletters via its intranet results in savings of \$0.74 per newsletter¹. Similarly, distributing its product marketing updates via the intranet

netted Sun a savings of \$0.66 per unit. Sun also estimated that eliminating face-to-face meetings to make routine changes in the employee benefits programs its intranet could save roughly \$8.00 per transaction. These savings are not unique to Sun, or to any large, global enterprise. Any business, whatever its size, can realize significant savings by using an Intranet.

Increasingly, these potential savings have begun to capture the attention of small to medium-sized companies (10 to 500 employees). Most of the benefits that make an intranet compelling for a large global enterprise also apply, to a great extent, to organizations with as few as 10 employees. But when smaller companies decide to tackle an intranet project, they immediately face the dilemma of whether it makes better sense to build an intranet from scratch or to deploy a customizable software application. That decision will

¹ Statistics on Sun's estimated savings from *Intranets: What's the Bottom Line* by Randy J. Hinrichs, Prentice Hall.

have a tremendous effect on how quickly – if at all – a business realizes a return on its intranet investment.

Factors in the Build vs. Buy Decision

Making the right decision up front about whether to build or buy an intranet makes all the difference between ending up with a functional, cost-effective intranet or merely a set of applications that cost too much and do too little. The important factors to consider include:

Process and Functions

- Who will develop a comprehensive vision of what the intranet should do for the business?
- What will the intranet look like and what how easy will it be to navigate?
- What functions does the intranet need to perform?
- Who has the qualifications and time to design the intranet?

Flexibility and Risk

- Can the intranet evolve to meet the changing needs of the business?
- If some initial applications already exist, can new intranet applications be integrated easily?
- Will the intranet be compatible with changing technology (network structures, server/client operating systems)?
- How will the intranet work for all employees regardless of operating system?

Deployment and Use

- How will users get up and running on the intranet?
- What means of instruction or help will be offered to users?
- How will the intranet be maintained?

Time and Cost

- How long will it take to implement the intranet?
- What are the real cost differences between building an intranet and buying a customizable, pre-packaged intranet solution?

Process and Functions

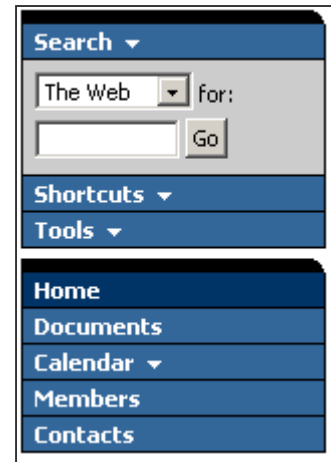
At first, it seems easy to design and build an intranet from scratch. For most organizations, some of the functions expected from the intranet already exist in either manual or electronic format.

The immediate solution would appear to be knitting those systems together with HTML and database technologies to turn them into an intranet. With this approach, the organization would theoretically get exactly the applications it wants, without paying for those it doesn't need. A customizable software application solution would generally include a fixed set of applications at a fixed price, with little flexibility to buy only the desired applications at a reduced price.

Though the ability to develop only those specific intranet functions that meet the company's present needs may be desirable, building the intranet from scratch is not usually the quickest, easiest or most cost-effective solution for a small or mid-sized business. Nor is it the best way to ensure simple and consistent navigation, clear links and a visible and easy-to-use search function.

First, the intranet must represent the interests and address the needs of all departments, from sales and marketing to human resources and product development. No one person is likely to have sufficient knowledge of all of these business areas to architect an intranet single-handedly. Therefore, the typical response is to put together a team consisting of members from each department to work on intranet design. But that can be a serious – and expensive – drain on a company's human resources.

Furthermore, an intranet must be designed for ease-of-use as well as pure functionality. Creating an intranet with a user-friendly interface that's easy to navigate and offers the applications needed by many different departments requires a complex blend of skills: system programming, HTML coding, graphic design, database programming and user-interface design. These combined skills carry a high price tag, either for hiring outside consultants or taking existing staff away from revenue-generating projects to develop the intranet.



An intranet should be easy to navigate and offer the right applications.

On the other hand, a low-cost customizable ASP solution offers all of the most useful intranet applications – the ability to easily share documents, keep track of internal and external contacts, manage personal and group calendars, conduct discussions and polls, and assign and manage tasks – that will improve communication and make your organization more productive. With the ASP approach, intranet experts have conducted thorough research on how best to meet the communication and collaboration needs of small and mid-sized businesses. As a result, they have developed the best methods for bringing together all of the key components required for a successful, valuable intranet. In addition, the user interface, graphics and system architecture are professionally designed, tested and ready to deploy immediately.

Another advantage to subscribing to an intranet service is that application service providers make their living designing and delivering powerful intranet services. They employ teams of designers, engineers and others so they can stay on top of a rapidly changing industry – or else they won't stay in business very long. Companies that build their own intranets will find it very difficult – and expensive – to stay on top of the evolving world of intranet technology and ensure that their site is fresh, usable and valuable to employees.

Flexibility and Risk

The built-from-scratch, homegrown intranet offers a high level of flexibility and customization. A company can design and build any intranet applications it wants, as long as it has a healthy budget. This initial flexibility can, however, be fleeting. Once all the programming is in place, it is often difficult, expensive and time-consuming to make necessary changes as the organization grows and evolves. Adding new applications often requires a major design and programming effort. In addition, advances in network, client/server and database technology that might be desirable for some aspects of a company's operations might not be compatible with the homegrown intranet. Without a willingness to continue investing significant development dollars in this proprietary solution, a company takes the risk of spending big money on an intranet that may quickly become obsolete.

On the other hand, the ASP approach is highly flexible and is constantly updated to continuously deliver a feature-rich, high-quality, customizable intranet experience.

The ability to customize an intranet service solution is the key to its effectiveness for small to medium-sized business and organizations. Customization enables users to tailor their intranet to meet the unique needs of their business, in the same way that a homegrown intranet might, but without the excessive development time and cost.

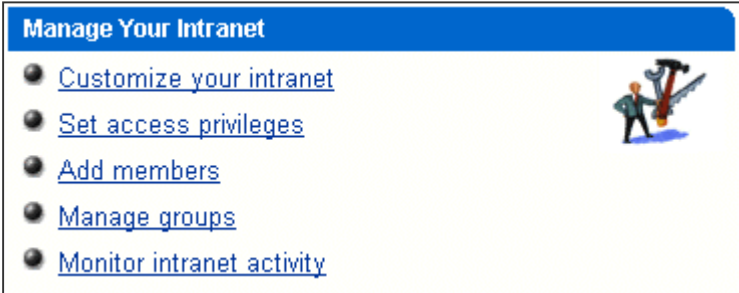
Because a service must work for a broad range of companies, intranet ASPs anticipate the need for customization and integrate these features into their service.

Choose Your Intranet Features	
Choose the applications and the services that you would like to apply	
<input checked="" type="checkbox"/> Announcements	<input type="checkbox"/> Expense Reports
<input checked="" type="checkbox"/> Calendar	<input type="checkbox"/> Instant Messaging
<input checked="" type="checkbox"/> Contacts	<input type="checkbox"/> Intranet Directory
<input type="checkbox"/> Discussions	<input type="checkbox"/> LivePerson Support
<input checked="" type="checkbox"/> Documents	<input type="checkbox"/> Personal Email Address

Intranets should be constantly upgraded and enhanced to ensure compatibility with new technologies.

An intranet service application also offers protection against the risks of rapidly changing technology. Because developers of the application must keep up with changing technology in order to remain competitive, the service is constantly upgraded and enhanced to ensure adaptability to new operating systems, network systems, etc. Intranet application service providers must keep their product compatible with the latest databases and operating systems because that's their business. The same can't be said for the developers of internal intranets.

An intranet must grow with a company or it quickly becomes obsolete. After an intranet is designed, built and deployed, it must be carefully maintained so it will remain useful to all members of the organization. Because of that, ease of maintenance is a feature that must be considered in the design of the intranet. With most homegrown intranets, this feature is often forgotten or ignored amidst the more time-consuming process of designing and building the applications. That can cause big problems down the line.



Information should be able to be easily updated and maintained by users with no IT expertise.

If a highly specialized homegrown intranet cannot be easily updated and enhanced, then the intranet administrator will have to be the man or woman in the IT/IS department who knows all the ins

and outs of this complex system. This can be a big problem for two main

reasons: First, it puts all of the burden for intranet maintenance on one person, which is usually more than he or she has time to manage. Second, the actual information needed to keep the intranet fresh and lively resides with many different people in all departments of the company. So if the keepers of the information don't get updates to the administrator in a timely manner, the administrator can't add the new material to the site. It's a

vicious cycle. Both of these issues lead to the same problem – the intranet is soon out-of-date, and employees will begin looking elsewhere for current information. Then the benefit of the intranet is lost, along with all the time and money spent developing it.

Intranet application solutions, on the other hand, are designed for easy updating by users – no IT expertise is needed – ensuring that the information on the intranet remains relevant and valuable.

Time and Cost

An examination of the time it takes to deploy an intranet shows that the ASP option is the obvious winner. Customizable intranet applications have been through the time-consuming design, coding and testing phases of software development by professionals trained for each exacting phase. A truly customizable intranet application service can typically be established and running in just a few hours. Building an intranet from scratch is estimated to take anywhere from three to nine months for the typical small or mid-sized company, an estimate based on the company hiring or dedicating full-time staff to this project.

The major differences in hard costs between buying or building an intranet are in the area of application development and support staff. With a customizable intranet application, the cost of the service can be as low as \$19.95 per month. To develop even a few of these applications from scratch is estimated to cost \$60,000². In addition, the cost of application development would continue to grow as the company added new intranet applications.

Once the applications have been developed, the company must then consider how the intranet will be managed and maintained. With a homegrown intranet, a full-time intranet administrator/software developer, or several

² Hinrichs, *Intranets: What's the Bottom Line?*.

technical people on a part-time basis, are required. The annual salary for this level of technical administrator is estimated at \$80,000 or more³. An intranet application that is developed, maintained, updated and hosted by a company that specializes in intranets requires minimal administrative work by the subscriber, thus no additional salary overhead.

If You Use It, ROI Will Come

According to George McGrath and Anthony Schneider in *Measuring Intranet Return on Investment*, “the key is to link intranet ROI to bottom line issues that senior management cares about. These include cost savings, increased productivity and gaining competitive advantage.”⁴ The authors say that since most organizations are looking at ways to cut expenses, “The starting justification for many intranets is the decreased cost of producing, accessing and distributing information within an enterprise.”

So the bottom line of intranet ROI is pretty simple: Put valuable information on the intranet, make sure members know that it’s there, and watch them use it. The value of an intranet is directly related to the value of the material that is available on it and how often people visit the site and use the information in order to perform their jobs more efficiently. When the range of information that people need to do their jobs – documents, contacts, calendars, task managers, etc. – are readily accessible on the intranet, productivity gains and cost savings will follow quickly.

Saving Time and Trees

A big part of the intranet ROI equation is the synergistic relationship between reducing printing and mailing costs for sales literature and other documents and the increased productivity that an organization can realize by eliminating much of its paper.

³ Hinrichs, *Intranets: What’s the Bottom Line?*.

⁴ George McGrath and Anthony Schneider, *Measuring Intranet Return on Investment*, published in *Intranet Communicator* magazine



Put all of your sales literature, forms and other frequently used documents on your intranet instead of printing and shipping them to your sales people and you'll realize immediate savings. And that's just part of the ROI equation. Think about the time and money spent updating those documents

whenever information changes. Then factor in the cost of throwing out stacks of outdated materials and the costs can be huge.

At Centurion Vehicles, Inc., the leading U.S. manufacturer of luxury conversion vehicles, two ASP-style intranets have become a standard part of the way they do business. In particular, the company's sales people, who spend most of their time on the road, now rely completely on their intranets for the latest forms, brochures and other key documents.

"Thanks to our intranets, we have virtually eliminated the cost and time invested in printing order forms," said Paul Campbell, vice president of marketing for Centurion. "Given the nature of our business, we were constantly revising documents. That meant a lot of printed copies quickly became obsolete and had to be thrown away, which wasted a great deal of money. The ability to distribute color documents via the intranets has also reduced our dependence on short-run color printing and color copying, which represents a substantial cost savings."

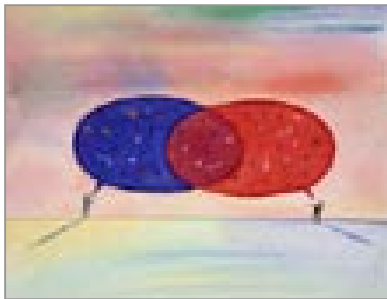
"We are developing the mind-set that if it is posted on the intranet, we consider everyone to have been properly notified," explained Campbell. "Sales people can no longer use the excuse that they didn't get the message, or didn't see the fax. If it's posted, they're responsible for it. It's a great way to distribute all types of documents and announcements."

Centurion is just one of many organizations using an intranet application service to help increase sales effectiveness. This is an area, according to

McGrath and Schneider, where an intranet may make the biggest ROI contribution. “Here, productivity gains are measured in sales closed rather than minutes saved. Many companies are using intranets to efficiently connect the field sales force personnel to the home office and link sales representatives to each other to obtain product information, or collaborate on pursuing leads.”⁵

Opportunity Cost vs. Opportunity Lost

Since the choice of building or buying an intranet seems to overwhelmingly favor buying an intranet application service rather than building an intranet from scratch, the question is now one of how to determine the return on investment that a company will derive from its use of an intranet service. It all comes down to one basic premise: Which would you rather incur, the low monthly cost of establishing and using an intranet, or the costs that come



from not running your organization as efficiently as you could? It’s a question of opportunity cost vs. opportunity lost.

For starters, without all of the capital and human resources required to build an intranet from scratch, the initial costs of an intranet application service are extremely low. Since the goal of establishing an intranet in the first place is to enhance communication and productivity in an organization, an intranet service enables businesses to gain added productivity and efficiency for just a few dollars per month, per user. The table that appears at the end of this paper spells out the many factors involved in the build versus buy decision.

The Intranets.com Value Proposition

Until now, the emphasis of this paper has been on the build vs. buy decision. However, even after a company chooses to subscribe to an intranet service,

⁵ McGrath and Schneider, *Intranet Communicator* magazine

it's important to note that there are significant differences among intranet service providers.

Centurion Vehicles and hundreds of other companies and organizations around the world are successfully improving their communication and collaboration by using the Intranets.com solution. Intranets.com is the world leader in providing Web-based intranets. By perfecting the intranet application service provider model, Intranets.com

hosts its clients' sites and provides a framework for how to establish and populate a site with valuable, useful information. The end result:

Intranets.com customers enjoy a

feature-rich, secure intranet that's

easy to administer at just a fraction of the cost of building and hosting a site from scratch. With monthly costs as low as \$19.95 for up to four members and the ability to add additional members for as low as \$3.00 each,

Intranets.com delivers unparalleled value in a powerful, intranet application.



Couple that low cost with easy setup, hosting on Intranets.com's secure servers managed by WorldCom, and frequent updates that provide enhancements without disrupting service, and it's easy to see how much small and medium-sized businesses, as well as many other types of organizations, can receive tremendous benefits from establishing an intranet without the costs and headaches of building and hosting a site of your own.

Intranets.com has a pricing structure to suit the needs of small and medium-sized businesses. This chart summarizes the packages for sites up to 1,000 users, as well as additional services. The only added costs are for those sites that require additional server storage capacity or SSL security.

For groups up to 1,000 Users

Package	Base Users	Monthly Fee	Additional Members
Basic Rate 4	4	\$19.95	\$5.95
Workgroup 10	10	\$49.95	\$5.95
Workgroup 25	25	\$99.95	\$5.95
Workgroup 50	50	\$199.95	\$5.95
Corporate 100	100	\$399.95	\$5.50
Corporate 250	250	\$899.95	\$5.00
Enterprise 500	500	\$1,699.95	\$4.00
Enterprise 1000	1000	\$2,999.95	\$3.00

Intranets.com requires no long-term contractual commitments. Users pay for their sites on a month-by-month basis, for as long as they want to use them.

Marc Stewart, president of the IT consulting organization MTech in San Francisco, succinctly sums up the Intranets.com value proposition.

“The ROI on our own Intranets.com site and those we’ve set up for our clients is the fact that I don’t have to calculate the ROI. This is so inexpensive that it operates ‘under the hedge, without raising issues about cost. It’s so efficient, that the ROI is instantaneous.”

Conclusion

So what’s really the best solution when you’re considering an intranet, build it yourself or avoid the headaches and drain on your budget by choosing the ASP approach? The decision is subjective, and the path to finding the best solution lies in the evaluation of the four decision factors discussed in this

paper – Process and Function, Flexibility and Risk, Deployment and Use, and Time and Cost. The best approach is to determine the company’s needs, weigh the importance of communication within and between departments, and then evaluate the strengths of both types of solutions.

Overall, for a small to medium-sized business, the case for buying verses building an intranet is compelling. A reliable, customizable intranet service application, like that delivered by Intranets.com, offers a company a full-featured solution, with flexibility now and expandability later. The ability to integrate the off-the-shelf solution with an existing intranet means that development time is not wasted, and custom applications can be created and deployed as-needed. The ability to customize the intranet application ensures success in any vertical industry, while empowering a company with the immediate deployment of an intranet solution. Intranet application services also offer ease of implementation and use and a price considerably below what it would cost to build the intranet from scratch – both of which are critical factors for small and medium-sized companies and many other organizations.

To see if Intranets.com is right for your organization, please visit www.intranets.com and sign up for a 30-Day FREE TRIAL.

For more information or to speak to a sales representative, call 888.932.0960

Build It Yourself or Choose the Right ASP – Critical Decision Factors

Decision Factor	Considerations	Homegrown Intranet	Intranets.com or an ASP Solution
Process and Functions	<ul style="list-style-type: none"> What does the intranet need to do and which applications can meet these goals? 	<ul style="list-style-type: none"> Pick and choose needed applications. 	<ul style="list-style-type: none"> Customizable applications developed by experts meet the needs of small/medium-sized businesses.
	<ul style="list-style-type: none"> Who is qualified to design the intranet? 	<ul style="list-style-type: none"> Time-consuming design process, specialized skills and qualifications required, who has time and ability to dedicate to this? 	<ul style="list-style-type: none"> Designed and built by professional software developers who know the technology and industry.
	<ul style="list-style-type: none"> Who has the time for development? 	<ul style="list-style-type: none"> Must choose to dedicate staff (full- or part-time) or obtain outside help to meet development needs. 	<ul style="list-style-type: none"> No development time required.
Flexibility and Risk	<ul style="list-style-type: none"> Can the intranet grow with the company? 	<ul style="list-style-type: none"> Applications can be fully customized, but creating new applications requires considerable effort. 	<ul style="list-style-type: none"> Customization options built into service.
	<ul style="list-style-type: none"> If some initial structure already exists, can new intranet applications be integrated easily? 	<ul style="list-style-type: none"> Development of additional applications can result in (a) considerable expense or time invested, as well as (b) the possible limitations of the solution because of inability to take advantage of new technologies. 	<ul style="list-style-type: none"> Service complements existing IT structure.
	<ul style="list-style-type: none"> How will the intranet continue to work with changing network, database and browser technology? 	<ul style="list-style-type: none"> Changes in technology may not be compatible with intranet. Development to accommodate future changes is time-consuming and expensive, especially if outside help is needed. 	<ul style="list-style-type: none"> Competitive nature of software industry will help ensure that the solution is compatible with future changes in technology.
	<ul style="list-style-type: none"> How will the intranet work for all employees? 	<ul style="list-style-type: none"> Extensive knowledge of all systems and testing is required to meet compatibility goals. 	<ul style="list-style-type: none"> Product designed and tested to ensure compatibility with major operating systems, network systems, browsers, etc.
Deployment and Use	<ul style="list-style-type: none"> How will users get up and running on the intranet? 	<ul style="list-style-type: none"> Creating an accessible user interface, helpful documentation, and a system for maintenance are rarely top priorities, which decreases value. 	<ul style="list-style-type: none"> Intranet applications are designed for ease of use, and have been extensively tested to ensure ease of use, even for novices.
	<ul style="list-style-type: none"> How will instructions and help be provided to users? 	<ul style="list-style-type: none"> A training manual or other documentation must be created and updated. 	<ul style="list-style-type: none"> Online and print documentation is available with customizable solution.
	<ul style="list-style-type: none"> How will the intranet be maintained? 	<ul style="list-style-type: none"> Maintenance will fall on intranet developer or other technical staff. 	<ul style="list-style-type: none"> Because of ease-of-use features, maintenance can be distributed among many employees.
Time and Cost	<ul style="list-style-type: none"> How long will it take to implement the intranet? 	<ul style="list-style-type: none"> Designing and building an intranet is a time-consuming process, taking anywhere from 3 to 9 months for the average company. 	<ul style="list-style-type: none"> A customizable intranet application service can be up and running in minutes.
	<ul style="list-style-type: none"> What are the real cost differences between a homegrown intranet and an intranet application service? 	<ul style="list-style-type: none"> High opportunity cost if existing employees do application design and development. High dollar cost if the intranet project is outsourced. Estimates for application development are around \$60,000. Need for technical staff to maintain and update once intranet is deployed. 	<ul style="list-style-type: none"> As low as \$19.95 per month. Intranet application service also requires less dedicated staff to maintain, meaning lower staff costs.