



**NUCLEUS  
RESEARCH**

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ROI ANALYSIS YOU CAN TRUST™

# ROI Case Study: SumTotal Anonymous Bank

## **THE BOTTOM LINE**

The bank's Private Client Services division has been able to provide online courses to a geographically diverse student population through the SumTotal learning management system. The company's main returns have come through the elimination of training-related travel costs and the increased productivity of its sales representatives.

**ROI: 544%**

**Payback: 7.5 months**

## **THE COMPANY**

A large bank in the United States, with nearly 3000 bank branches in some two dozen western and midwestern states and approximately 700 home mortgage stores all over the country. The Private Client Services (PCS) division of the bank provides fully integrated financial services for high-net-worth and other affluent clients.

## **THE CHALLENGE**

As the PCS division within the bank shifted its focus from securities transactions to financial advisory services, the following learning challenges arose:

- The division had to cost-effectively train a geographically diverse set of employees, including private bankers, portfolio managers, financial consultants, and trust officers, and equip them with the skills needed to support the new business direction.
- The bank was obligated to respond to increasing regulatory requirements, such as the USA PATRIOT Act, and ensure that all of its employees received compliance training, educating them about industry regulations and company policy.

Faced with diverse learning needs and a limited training budget, Private Client Services University (PCSU) — the training arm of PCS — decided that the travel associated with training was too expensive and time consuming for employees and that printing and sending materials for self-study were overly costly as well. PCSU needed an interactive yet practical e-learning solution that could do the following:

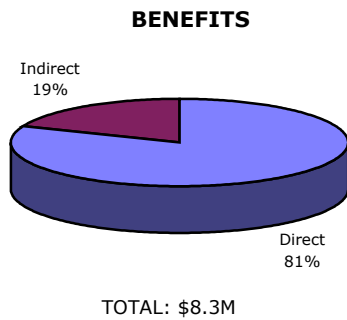
- Support Web-based delivery of course materials
- Streamline student registration and logistics procedures
- Support user access on an ongoing basis, regardless of the user's location or intranet connection speed

## **THE STRATEGY**

In spring 2000, PCS began looking at ways to electronically deliver compliance, product, and professional development training to its employees. In September 2000, the company selected SumTotal as its learning management system, for the following reasons:

- It was a Web-based system, and the vendor had sufficient experience in delivering Web-native training solutions.
- It had good student tracking and record management capabilities.
- It was quicker to implement than the alternative systems.

In addition to the PlaceWare Web conferencing software purchased earlier that year, PCS acquired SumTotal licenses in December 2000 and started to implement the solution in January 2001 with a team of two internal training personnel, SumTotal staff, and assistance from internal staff as needed. The deployment was completed in August 2001. Today, 6000 PCS users are receiving compliance, product, and professional development training through the SumTotal learning management system.



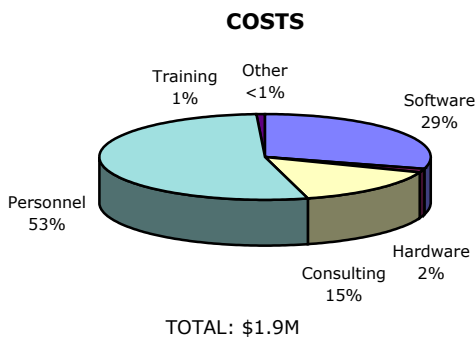
**KEY BENEFIT AREAS**

Using SumTotal along with other Web-based e-learning tools has enabled PCS to deliver critical courses on a timely basis to a wide set of employees in 23 states. Key benefits of the solution include the following:

- Reduced travel costs. Replacing on-site courses with e-learning has enabled PCS to reduce spending on both instructor and student travel.
- Increased student productivity. Electronic access to the latest courses enables sales staff to complete more training faster by reducing travel time and time away from the office.
- Profit on increased revenue. The Bank sales representatives can now spend less time receiving training and can focus on selling financial services and products to current and prospective customers.

**KEY COST AREAS**

The main costs associated with PCS’s investment in e-learning were in personnel, software, hardware, and training. The costs of personnel required for deployment and ongoing support formed the largest portion of the company’s investment in SumTotal. Software licenses for SumTotal and PlaceWare accounted for 29 percent of project costs. PCS also engaged SumTotal professional services for customizing the learning management system, and consulting constituted 15 percent of overall costs. Hardware and training accounted for the remaining share of PCS’s investment in its e-learning solution.



**LESSONS LEARNED**

PCSU found that it is better to customize an e-learning solution after the basic infrastructure has been implemented than at the beginning. Doing so shortens the deployment time, accelerates the realization of returns, and permits customization dollars to be spent more wisely. In addition, companies should carefully consider the needs of their students and the size of the student population before deciding to implement a self-paced learning system.

PCSU also recognized the need to address the human barriers in moving from instructor-led training to an e-learning environment and focused on making the online courses as easy to use and navigate as possible. It also addressed the impact of technology on the learning experience and made sure that its chosen solution would provide the same quality of experience in terms of interactivity and hands-on training to all students — even those in areas with slower Internet access.

### **CALCULATING THE ROI**

Nucleus quantified the costs of software, hardware, personnel, and other investments over a 3-year period to quantify PCS's total investment in e-learning. Direct benefits calculated included reductions in travel and materials costs associated with traditional courses. Indirect benefits, including increased productivity of students, were calculated based on the average fully loaded cost of employees. Benefits not quantified include the additional revenue resulting from the ability of sales reps to focus on selling activities. Time savings associated with reduced travel and training time for students were multiplied by a productivity correction factor to account for the inefficient transfer of time from time saved to additional time worked.

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**SUMMARY**

Project:	<b>SumTotal</b>
Annual return on investment (ROI)	<b>544%</b>
Payback period (years)	<b>0.63</b>
Net present value (NPV)	<b>2,123,327</b>
Average yearly cost of ownership	<b>657,438</b>

<b>ANNUAL BENEFITS</b>	<b>Pre-start</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>
Direct	0	790,560	2,658,015	3,322,519
Indirect	0	183,000	615,281	769,102
<b>Total Benefits per Period</b>	0	973,560	3,273,296	4,091,620

<b>DEPRECIATED ASSETS</b>	<b>Pre-start</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>
Software	162,375	0	225,412	0
Hardware	30,000	0	0	0
<b>Total per Period</b>	192,375	0	225,412	0

<b>DEPRECIATION SCHEDULE</b>	<b>Pre-start</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>
Software	0	32,475	32,475	77,557
Hardware	0	6,000	6,000	6,000
<b>Total per Period</b>	0	38,475	38,475	83,557

<b>EXPENSED COSTS</b>	<b>Pre-start</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>
Software	870	69,516	48,586	72,925
Hardware	0	0	0	0
Consulting	0	151,200	83,400	59,275
Personnel	0	155,000	380,000	520,000
Training	13,175	0	580	0
Other	0	0	0	0
<b>Total per Period</b>	14,045	375,716	512,566	652,200

<b>FINANCIAL ANALYSIS</b>	<b>Results</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>
Net cash flow before taxes		597,844	2,535,318	3,214,008
Net cash flow after taxes		318,160	1,174,191	1,761,489
<b>Annual ROI - direct and indirect benefits</b>				<b>544%</b>
Annual ROI - direct benefits only				413%
<b>Net present value (NPV)</b>				<b>2,123,327</b>
<b>Payback (years)</b>	<b>0.63</b>			
Average annual cost of ownership		582,136	660,057	657,438
3-year cumulative ROI	1165%			
3-year IRR	278%			

**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. Financial modeling tool, format, and methodology copyright Nucleus Research Inc., all rights reserved.