



Case Study: Developing a Total Cost of Ownership (TCO) model for an Enterprise Instant Messenger

Client Description

The client is one of the largest web-conferencing solutions providers in the world

Client's Requirement & Objectives

The client required a TCO tool to facilitate the comparison of the total cost of its upcoming EIM solutions to other competitive EIM solutions. This tool would guide users through the total costs the customer can expect to outlay over a 3-year period to implement these solutions. TCO includes more than software and maintenance costs, e.g. hardware, implementation, ongoing maintenance, etc.

infoAnalytica's Role

Our team's role comprised —

- Extensive secondary and primary research to understand competitive EIM solutions and their TCO
- An analysis of the licensing rate structures of prominent EIM vendors as well as interviews with leading users of EIM solutions to develop the TCO model and determine the average upfront and annual operating costs on a per user basis.
- Assist in designing, developing and populating an automated 3-year TCO model in excel. The TCO model included a comparison with the company's key competitors, simulation of various cost scenarios/assumptions, and subsequent trend-analysis through graphical representations.

Value Proposition / Key Findings

The client realized that —

- Given the need to amortize On-Premise solutions with all their hardware and software costs, per user EIM costs are very high if the number of users is below 1,000, but they begin stabilize beyond 5,000 users.
- On-Premise solutions were most attractive to enterprises with less than 10,000 users. Small firms were less concerned with the security implications of using public IM systems thus preferring free systems, while larger firms were less likely to use IM or EIM due to security and productivity concerns.