

CASE STUDY E62
June 2004

ROI ANALYSIS YOU CAN TRUST™

ROI Case Study: RightNow Technologies Remington Arms Company

THE BOTTOM LINE

Remington Arms Company used RightNow Technologies to provide customers with quality online support while reducing the burden on customer service staff.

ROI: 1483%

Payback: 1 month

THE COMPANY

Remington Arms Company, Inc., headquartered in Madison, North Carolina, designs, produces, and sells sporting goods products for the hunting, shooting, and outdoors markets. Founded in 1816 in upstate New York, Remington is one of the nation's oldest continuously operating manufacturers and is the only US manufacturer of both firearms and ammunition products. From the moment that Elipahlet Remington II forged his first gun barrel, Remington's products have become a symbol of American craftsmanship, ingenuity, and quality, traits that continue to this day.

THE CHALLENGE

Remington's strong branding and customer loyalty were key assets, but the growing use of the Internet by customers challenged the company's customer service capabilities. Remington added a customer support section to its Web site in the fall of 1998 and quickly found itself overwhelmed with almost 2000 e-mails a week. Remington had only one part-time person supporting e-mail responses, so it needed to find a way to deal with customer e-mail requests more efficiently. It also needed a way for customer service to direct customers to local retailers with which Remington didn't have a direct relationship.

THE STRATEGY

After reviewing various solutions, Remington selected RightNow Technologies for the following key reasons:

- The knowledge base management platform in RightNow made it easily accessible to customers via the Web site.
- Customers could easily search the knowledge base by using keywords, topic categories, and natural language queries.
- Remington's customer service staff could update the knowledge base without significant programming or technical knowledge.
- The solution provided "canned" e-mail responses as well as automated routing and tracking of customer inquiries.
- The solution was offered on a hosted basis, limiting the requirements for upfront capital investment and ongoing support.

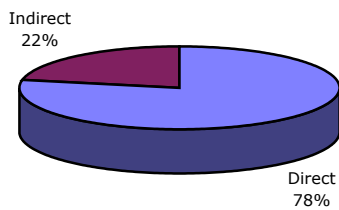
Remington implemented the RightNow solution in April 2000, and in late 2001, it added RightNow Locator, which enables customers or customer support representatives to query Remington’s dealer and retailer databases to determine the location and driving directions for the closest store.

KEY BENEFIT AREAS

Implementing RightNow’s solution has enabled Remington Arms to improve customer service and satisfaction while maintaining customer support costs. Key benefits achieved include the following:

- Reduced e-mail-related support. Implementing the solution enabled the company to reduce the number of e-mail inquiries by 50 percent, allowing customer support personnel to focus on other tasks.
- Reduced telephone-related support. Remington Arms reduced phone call volumes by 30 percent because customers were able to access answers to their questions online.
- Reduced time to respond to e-mail inquiries. Automated e-mail responses for basic questions further reduced the time required to respond to e-mails.
- Increased visibility. By tracking answers to questions across the system, Remington Arms could determine what key questions and issues customers had — and when it found that a key question asked was how to find local retailers, it had a solid business case for implementing the Locator solution. Increased visibility also enabled the company to see what products customers were asking for, making it possible for them to review product sets and reintroduce some products customers requested, driving additional revenues.

BENEFITS

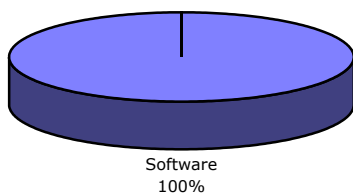


3-YEAR TOTAL: \$1.6M

KEY COST AREAS

The key cost for Remington Arms’s deployment of the solution, because it is hosted, was the software. The initial software license cost included bundled services and basic training. There were no other costs associated with the deployment.

COSTS



3-YEAR TOTAL: \$199,465

LESSONS LEARNED

A key benefit Remington Arms realized from the solution was the ability to significantly improve customer communication without a large investment in internal systems and IT resources. The relatively low ongoing cost and rapid development drove considerable returns.

Although the solution was hosted, Remington Arms’s ability to customize it to meet the needs of customers transparently through its Web site supported the company’s branding without a significant change in the way its employees work.

CALCULATING THE ROI

Nucleus quantified the returns from Remington Arms’s deployment based on the reduction in calls and incoming e-mails and the

number of Web inquiries, along with the cost of each of those calls or e-mails avoided.

Although increased customer satisfaction and increased revenues driven by the ability to reintroduce products customers demanded were likely significant, they were not quantified.

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SUMMARY

Project:	RightNow Technologies
Annual return on investment (ROI)	1483%
Payback period (years)	0.07
Net present value (NPV)	531,182
Average yearly cost of ownership	66,488

ANNUAL BENEFITS	Pre-start	Year 1	Year 2	Year 3
Direct	0	420,000	420,000	420,000
Indirect	0	70,313	140,625	140,625
Total Benefits per Period	0	490,313	560,625	560,625

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	32,465	37,000	65,000	65,000
Hardware	0	0	0	0
Consulting	0	0	0	0
Personnel	0	0	0	0
Training	0	0	0	0
Other	0	0	0	0
Total per Period	32,465	37,000	65,000	65,000

FINANCIAL ANALYSIS	Results	Year 1	Year 2	Year 3
Net cash flow before taxes		453,313	495,625	495,625
Net cash flow after taxes		226,656	247,813	247,813
Annual ROI - direct and indirect benefits				1483%
Annual ROI - direct benefits only				763%
Net present value (NPV)				531,182
Payback (years)	0.07			
Average annual cost of ownership		69,465	67,233	66,488
3-year cumulative ROI	3272%			
3-year IRR	1405%			

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.