

# December 2011 Forrester Study: Alfresco Enterprise Pays for Itself in 10 Months



## Introduction

Leading research analyst firm, Forrester Consulting, recently conducted a commissioned study on the total economic impact and potential return on investment (ROI) enterprises may realize by deploying Alfresco's Enterprise Content Management (ECM) solution.

This document provides a summary of the key findings of the 26-page Forrester report, *The Total Economic Impact of Alfresco Enterprise Content Management Solution*, including the key benefits and costs associated with a deployment of Alfresco's ECM solution. Discover how real Alfresco customers achieved an average payback period of 10 months and realized an estimated \$1.3 million in savings over three years.

## Actual Alfresco Customers Interviewed

To establish a composite company for the report's use case scenario, Forrester conducted interviews with four Alfresco customers—all enterprise-level, global companies across multiple industries with employees ranging from 8,000 to 40,000 employees. All of the interviewed organizations already had experience with ECM solutions from other vendors. Typically, multiple solutions were being used across the company and by different business units.

In the majority of cases, the Alfresco platform was deployed as part of a new initiative within the company, such as the creation of a knowledge-sharing platform, the introduction of a new collaborative workspace, or the establishment of a central repository for the company's websites. One of the interviewed organizations was actually replacing its entire legacy ECM solution with the Alfresco platform.

The common business objectives for deploying Alfresco were to:

- Achieve a well-integrated and flexible document management environment
- Give access to document management capabilities to a large number of users
- Contain the software licenses and maintenance costs of the implementation

Each interviewed organization has used the Alfresco platform in production for more than 10 months (one for more than four years). The different interviewees reported overall implementation projects ranging from two to six months. The number of end users with access to the Alfresco platform ranged from 300 to 35,000 people, and between 100,000 and 3.5 million documents were managed by the Alfresco platform.

## Key Benefits

The most significant benefits described to Forrester were around avoided software licenses, maintenance cost savings, the ability to use less expensive developer resources, avoided IT costs due to the use of the open source stack, and integration and development efficiencies. Each of these categories of benefit is discussed below. It should be noted that Forrester Consulting did not include the soft benefits associated with document management in general, like increased employee productivity or more efficient business processes – benefits that have the potential to be far greater to a company over time than even the IT & training cost savings outlined below:

- **Avoided software license costs.** Avoided software licenses and maintenance costs for an alternative commercial ECM solution represented one of the major financial benefits of Alfresco's open-source solution. Commercial proprietary products typically have annual maintenance costs ranging from 18% to 22% of the original license price. Estimations from the interviewees ranged from \$800,000 to more than \$2 million in savings. Forrester conservatively assumes an upfront cost avoidance of \$800,000 and a maintenance cost avoidance of 18% for Years 2 and 3.

*"Basically, the license model makes an entry very appealing. We can satisfy business requirements with a functional offering, especially around usability. And we get it for a very reasonable price. It is also very interesting if you have a large number of readers or occasional users."* — Senior architect at a global pharmaceutical and chemical company

- **IT maintenance cost savings.** Point solutions are typically used for general document storage and management and collaboration, and they result in a duplication of effort when it comes to administration, maintenance, governance, and upgrades. By consolidating several departmental content management solutions into the Alfresco platform and getting rid of a large number of local shared drives, the composite organization realizes an estimated three-year, risk-adjusted PV in the region of \$244,000 as well as ongoing maintenance and personnel cost savings.

*“Alfresco enables our projects to be built more simply, with less effort, and they are more maintainable over time.”*  
 — Director of software and infrastructure solutions at a large health insurance company

- **Use of less expensive developer resources.** Due to the ability to use general Java developers instead of more expensive and scarce specialized ECM resources, the composite organization realizes cost savings that have a three-year, risk-adjusted PV of approximately \$195,000. Interviewed organizations reported that it was easier and more cost-efficient for them to find and hire skilled Java developers than developers with special knowledge about a commercial ECM solution.

*“The main reason why we adopt open source software is that our developers are becoming more agile. They now have access to the source code—so they can build plug-ins, they can do many things to make the product better, even contribute back to the community. They have more visibility of what is going on. It is not a black box.”*  
 — Senior architect and IT manager at a provider of quality information

- **IT cost avoidance due to use of open source stack.** Being able to easily integrate the Alfresco solution with other open-source components saves license and maintenance costs. These cost savings have an estimated three-year, risk-adjusted PV of approximately \$41,000 for our composite organization.

*“If you would consider the exact same scope, I think that Alfresco probably has the minimum infrastructure footprint. It can be very well integrated into our company’s standard Linux servers and standard databases. But for us, it is not so much about avoided hardware costs but more about the operations. For Alfresco, we already had the right skill set in-house.”* — Senior architect at a global pharmaceutical and chemical company

- **Integration and development efficiencies.** The interviewed companies that had experience with the integration between Alfresco and different enterprise tools reported productivity gains for their IT staff mainly due to the access to the source code, the use of a common programmer language, and the support of the open source community. One of the interviewed organizations estimated an average cost savings of about \$150,000 per integration project. The composite organization saved time for the custom integration of the Alfresco solution with the company’s CRM system netting a cost savings have a three-year, risk-adjusted PV of approximately \$45,000.

*“We developed a plug-in, and we are in discussions with Alfresco to contribute it back to the community because it is something useful that other companies might be able to leverage. We’d like to share it not only because of the open source spirit but we think that other contributors might pick it up and make it even better.”*  
 — Senior architect and IT manager at a provider of quality information

**Table 12** — Total Benefits (Non-Risk Adjusted)

Ref.	Metric	Year 1	Year 2	Year 3	Total
K1	Avoided software license costs	\$800,000	\$144,000	\$144,000	\$1,088,000
K2	IT maintenance cost savings	\$100,000	\$100,000	\$100,000	\$300,000
K3	Use of less expensive developer resources	\$80,000	\$80,000	\$80,000	\$240,000
K4	IT cost avoidance due to use of open source stack	\$36,000	\$6,000	\$6,000	\$48,000
K5	Integration and development efficiencies	\$50,000	\$0	\$0	\$50,000
<b>K6</b>	<b>Total benefits</b>	<b>\$1,066,000</b>	<b>\$330,000</b>	<b>\$330,000</b>	<b>\$1,726,000</b>

Source: Forrester Research, Inc.

## Costs

To achieve the above benefits, the composite organization invested approximately \$862,000 over a three-year period. Costs included:

- **Alfresco subscription fee.** The composite organization chose to subscribe to Alfresco's Enterprise edition with 24x7 services. These costs have a three-year risk-adjusted PV of approximately \$251,000.
- **Integration costs.** The internal and external labor costs for the platform design, planning, integration including the ingestion of existing documents, and project management have an estimated three-year risk adjusted PV of approximately \$315,000.
- **Hardware costs.** The composite organization had to invest in 15 Linux servers. The hardware costs have a three-year risk-adjusted PV of approximately \$76,000.
- **Training costs.** Training costs include a three-day developer training course as well as end user training. For the end user training, we assumed that 80% of the 10,000 employees actually follow a 30-minute webinar introducing the new knowledge-sharing platform and collaboration capabilities. The training costs have a three-year risk-adjusted PV of approximately \$220,000.

**Table 6** — Total Costs (Non-Risk Adjusted)

Ref.	Costs	Initial	Year 1	Year 2	Year 3	Total
E1	Alfresco subscription	\$0	\$100,000	\$100,000	\$100,000	\$300,000
E2	Integration costs	\$300,000	\$0	\$0	\$0	\$300,000
E3	Hardware investment	\$60,000	\$6,000	\$6,000	\$6,000	\$78,000
E4	Training costs	\$218,000	\$0	\$0	\$0	\$218,000
<b>E5</b>	<b>Total costs</b>	<b>(\$578,000)</b>	<b>(\$106,000)</b>	<b>(\$106,000)</b>	<b>(\$106,000)</b>	<b>(\$896,000)</b>

Source: Forrester Research, Inc.

## The Bottom Line

Based on Forrester's research and analysis, the composite organization experienced the risk-adjusted ROI, costs, and benefits outlined in the table below. The bottom line: an average payback period of 10 months on an Alfresco ECM implementation with an estimated savings of more than \$1.3 million over three years.

**Table 1** — Composite Organization Three-Year Risk-Adjusted ROI<sup>1</sup>

ROI	Payback period	Total benefits (PV)	Total costs (PV)	Net present value (NPV)
53%	10 months after go-live	\$1,316,786	(\$862,022)	\$454,764

Source: Forrester Research, Inc.

Get a complimentary copy of the complete 26-page Forrester report:

*The Total Economic Impact of Alfresco Enterprise Content Management Solution* at [alfresco.com/forrester](http://alfresco.com/forrester)

**ABOUT ALFRESKO** Alfresco's ECM solution is a leading open source alternative for ECM that enables organizations to capture, search, and collaborate on documents with full library services and life-cycle management, on a unified, robust repository. The Alfresco content platform uses flexible, open-standards architecture to provide document management, web content management, records management, and collaboration software to enterprises worldwide. [Learn more at alfresco.com](http://alfresco.com).