

NUCLEUS
RESEARCH

ROI: 148%

Payback: 10.8 Months

RINGCENTRAL

JOHN VARVATOS ENTERPRISES

ANALYST

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THE BOTTOM LINE

John Varvatos deployed RingCentral's Voice over Internet Protocol (VoIP) phone system across its entire organization, including international offices, design studios, and retail locations. The company realized both monetary and times savings across all departments. Nucleus found that by transitioning away from an on-premise legacy phone system to a cloud-based service, the organization reduced its annual phone system costs by 18 percent and saved its IT department more than 350 hours a year.

THE COMPANY

American luxury fashion brand John Varvatos Enterprises designs, manufactures, and retails high-end men's clothing and accessories. Founded in 2000 and employing over 270 people, the organization has design shops, offices, and store locations around the world.

THE CHALLENGE

After years of use, the legacy phone system had become a mixture of phone lines from multiple carriers. As the organization grew, the phone system could not scale along with its growth. In addition, it was becoming increasingly expensive and difficult to manage. Employees often experienced dropped calls and had difficulty in finding coworkers' numbers. The helpdesk spent the bulk of its time addressing phone related issues, and HR would spend more than two hours installing phones for each new hire.

The legacy system's lack of functionality in terms of call routing, conference calling, consolidated phone directory, mobile support, and solution integration was impeding communication. Within the office, users would spend, on average, 10 to 15 minutes each day searching for coworkers' numbers. Wholesale sales teams also experienced difficulty manually managing customer contact information.

**Cost : Benefit
Ratio**

1 : 2.3

THE STRATEGY

John Varvatos began searching for a dedicated phone system in 2016 and considered Vonage, 8x8, and RingCentral. John Varvatos selected RingCentral for two main reasons:

- Cloud-based centralized system. RingCentral is a Unified Communication as a Service (UCaaS) solution that delivers a cloud-based Private Branch Exchange (PBX) system. The vendor supports multiple communication channels through their cloud platform, allowing John Varvatos to eliminate the number of needed phone numbers and extensions. Through the cloud platform, the organization added new phones at a fraction of the costs and manages the phone system with greater ease. The new phones docked directly into users' computers, and technicians non-longer needed to navigate an on-premise network's confusing conglomeration of phone lines.
- Easy-to-use interface and features. John Varvatos needed a phone system that was easy to use to reduce on-boarding and training time. RingCentral's system was so

intuitive, John Varvatos did not need a formal training process for the new phone system and reported that employees learned to use the new phones within minutes.

TYPES OF BENEFITS

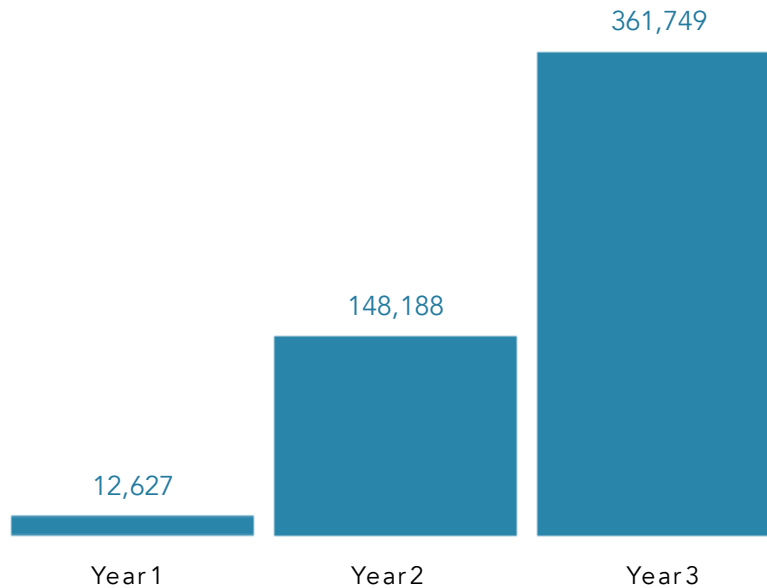


KEY BENEFIT AREAS

John Varvatos deployed RingCentral across its entire organization in a month and realized significant benefits within the first year. Key benefit areas included:

- Increased employee productivity from solution functionality. With an automatically updated phone directory, coworkers call one another without manually searching for a number that may be outdated. Employees also have calls routed to the RingCentral application on their mobile devices when away from the office, especially important for the teams that travel abroad for trade shows.
- Cost savings from eliminated legacy solution. Retirement of the legacy solution eliminated the fees from multiple telecommunication providers. The organization also avoided the costs of adding additional phone lines and paying maintenance fees that were continuously increasing the phone system's total cost of ownership (TCO).
- Cost savings from reduced IT tickets. Since implementing RingCentral, John Varvatos has experienced a marked decrease in IT tickets year-over-year. During the first year of RingCentral's deployment, the annual number of tickets fell by 40 percent from the previous year's 641 tickets. By the third year, phone-related issues represented six percent of tickets as compared to over 50 percent under the legacy system.
- Cost savings from reduced onboarding time. The onboarding process for new employees is greatly reduced. HR needs only 10 minutes to add a new phone extension, a process that often took more than two hours when factoring time spent manually pulling in new phone lines and updating the on-premise system.
- Increased employee productivity from solution integration. RingCentral provides pre-built integration with the sales team's Salesforce customer relationship management (CRM) solution that enabled customer information to be automatically presented for both incoming and outgoing calls. Likewise, RingCentral integrates out-of-the-box with customer service's enterprise solution, Zendesk. The pairing automatically logs numbers, generates tickets, and brings in past customer history for the service team members.

CUMULATIVE NET BENEFIT



KEY COST AREAS

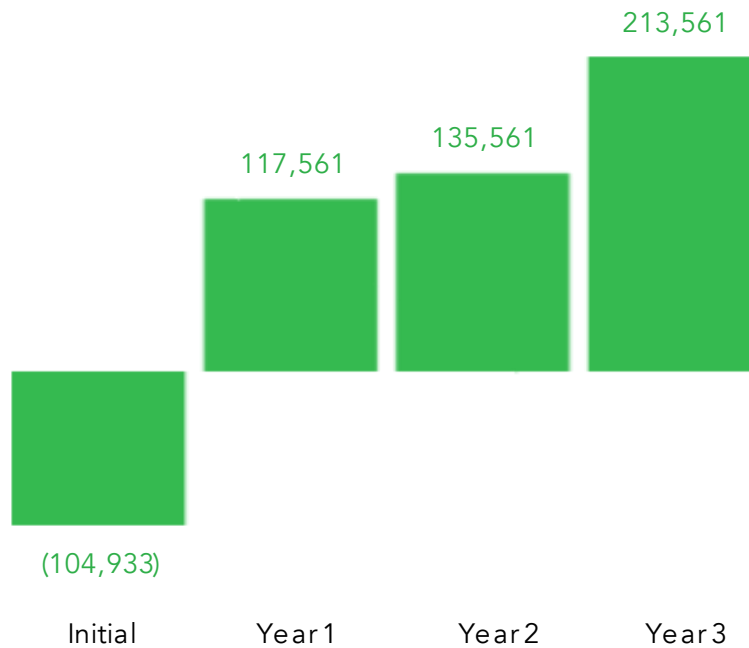
The most significant cost area of the RingCentral deployment is the monthly subscription contract. The only other significant cost area over the three-year period is the personnel time for IT members who executed the implementation and resolve RingCentral-related issues.

LESSONS LEARNED

John Varvatos' transition to a cloud VoIP UCaaS was straightforward due to the company's initial preparedness for adapting its infrastructure and its employees' quick adoption to RingCentral's phone system. Executive buy-in for the change was crucial for the deployment's success, enabling the company to take advantage of solution integration opportunities with Zendesk and Salesforce.

John Varvatos' IT team assessed and made network adjustments to best fit with RingCentral's requirements. Working closely with RingCentral's implementation specialists, the entire organization transitioned to the new phone system, including international offices and retail locations, in a month, outpacing the adoption process of most VoIP solutions. Proper integration in regard to future scaling requirements allows new phones to be added as needed while maintaining system performance and avoiding operational downtime.

NET CASH FLOWS



CALCULATING THE ROI

Nucleus Research analyzed the costs of software, hardware, personnel, professional services, and user training over three years to quantify John Varvatos' total investment in RingCentral. Direct and indirect benefits were also quantified over the three-year period.

Direct benefits quantified include eliminated costs from the retired legacy system.

Indirect benefits quantified include the time saved by all employees from the reduction of contact information search time, by IT from the reduction of phone-related issues, and by HR from a streamlined onboarding process. Nucleus calculated the time savings benefit using the fully loaded cost per hour of employees. Time savings were multiplied by a correction factor to account for the inefficient transfer of time between time saved and additional time worked.

Unquantified benefits include the improved organizational visibility provided by RingCentral's integration with John Varvatos' existing software ecosystem.

FINANCIAL ANALYSIS

Annual ROI: 148%

Payback period: 0.9 years

BENEFITS	Pre-start	Year 1	Year 2	Year 3
Direct	0	95,000	95,000	95,000
Indirect	0	118,561	118,561	118,561
Total per period	0	213,561	213,561	213,561

COSTS - CAPITALIZED ASSETS	Pre-start	Year 1	Year 2	Year 3
Software	0	0	0	0
Hardware	0	0	0	0
Project consulting and personnel	0	0	0	0
Total per period	0	0	0	0

COSTS - DEPRECIATION	Pre-start	Year 1	Year 2	Year 3
Software	0	0	0	0
Hardware	0	0	0	0
Project consulting and personnel	0	0	0	0
Total per period	0	0	0	0

COSTS - EXPENSED	Pre-start	Year 1	Year 2	Year 3
Software	96,000	96,000	78,000	0
Hardware	0	0	0	0
Consulting	0	0	0	0
Personnel	8,933	0	0	0
Training	0	0	0	0
Other	0	0	0	0
Total per period	104,933	96,000	78,000	0

FINANCIAL ANALYSIS	Results	Year 1	Year 2	Year 3
All government taxes	45%			
Cost of capital	7.0%			
Net cash flow before taxes	(104,933)	117,561	135,561	213,561
Net cash flow after taxes	(57,713)	64,658	74,558	117,458
Annual ROI - direct and indirect benefits				148%
Annual ROI - direct benefits only				35%
Net Present Value (NPV)				163,718
Payback period				0.9 years
Average Annual Cost of Ownership				92,978
3-Year IRR				116%

All calculations are based on Nucleus Research's independent analysis of the expected costs and benefits associated with the solution.