

Business case for investment

Many organisations have typically viewed software expenditure as a cost. At Cloud9 Software we believe our flagship Contract Management product intelligentcontract.com can make a positive difference to your cost-base and allow you to materialise real monetary savings. By giving you the right tools, it becomes a lot clearer and simpler to generate savings from your contractual agreements.

This whitepaper outlines the typical savings that can be achieved when intelligentcontract.com is utilised within a typical organisation. Savings are achieved are calculated from three key areas:

- **Administration Savings:** By automating the process of creating, managing and archiving contracts, you are freeing time for staff to work on other value added activities. It may even be possible to re-deploy staff to other areas.
- **Better Contract Focus:** By using reminder functionality it is possible to avoid roll over contracts. You are able to check the amounts that are charged are in line with the contractual agreement. You are able to approve contracts before they are signed to be sure they are not committing the company to unfavourable terms and they are within organisation procurement policy. You are able to monitor contract risk and be sure that clauses such as "termination for convenience" are actively monitored and migrated actions are pre-planned.
- **Improved Category Management:** By having all the spend data for contracts in one centralised location and having reminder functionality to give ample time before contracts are up for renewal, it is possible to plan re-procurements in a structured way. Aggregating demand across your organisation and moving to better value contracts with a single supplier will deliver the savings outlined here.

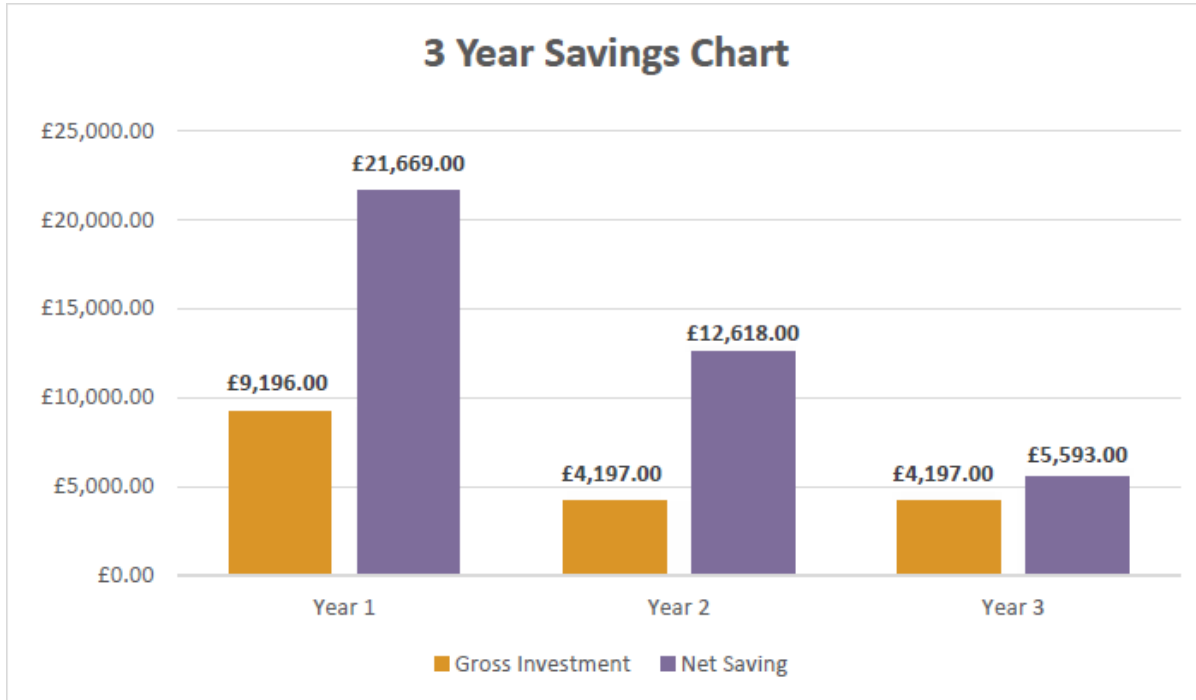
Buying contract management software is similar to any business purchase - it's important to understand the business case for your investment.

Whilst we are able to provide a tailored estimate of the likely monetary savings on request, this white paper presents the typical savings you can expect to realise when you invest in our software solution.

Savings overview

Below we have presented a typical business case for intelligentcontract.com investment. We have made a number of assumptions in order to derive these specific numbers. The assumptions are not unrealistic (in fact, we have been prudent when arriving at these assumptive values).

This business plan presents the costs of a 4 user deployment of intelligentcontract.com (assuming the standard configuration service is purchased along with a user licence for each member of staff) and the resulting savings over a three-year period.



Investment	Year 1	Year 2	Year 3
Software Costs	£4,197.00	£4,197.00	£4,197.00
One-Off Consultancy	£4,999.00	-	-
Gross Investment	£9,196.00	£4,197.00	£4,197.00
Savings	Year 1	Year 2	Year 3
Admin Saving	£2,765.00	£2,765.00	£2,765.00
Contract Focus	£6,000.00	£3,000.00	£1,500.00
Category Management	£22,100.00	£11,050.00	£5,525.00
Gross Savings	£30,865.00	£16,815.00	£9,790.00
Total Savings	Year 1	Year 2	Year 3
Net Saving	£21,669.00	£12,618.00	£5,593.00

Note that the payback for the investment in the intelligentcontract.com solution in this typical case was just over 6 months.

Underpinning assumptions

The following tables provide the parameters that have been used in order to generate the savings numbers shown above in each of the savings categories.

Admin savings

Assumption	Value Assumed	Comments
Number of Full time equivalents that have some element of contract admin in their job.	4	
Average pay of those people that have an element of contract admin in their job.	£24,000 per year (including on cost)	
Increased efficiency in relation to completing.	130%	Staff are 30% more efficient when completing admin tasks that they were before the introduction of the solution.
Proportion of each Admin staff's time working on contract admin tasks.	15%	
Current level of organisation of the contract management process.	Medium	Medium assumes that a typical organisation has a spreadsheet of current contracts with copies of contracts held on a file store. Introduce of our system provides a 20% increase in efficiency as opposed to if the organisation already had a more automated process.
Level of contract complexity.	Medium	Medium assumes a 20% increase in efficiency as opposed to those organisations that have very simple contracts. (i.e. where contracts are more complex the admin saving is greater).

Contract focus savings

Assumption	Value Assumed	Comments
Amount of indirect controllable spend.	£400,000	
Contract focus expectation.	Medium	Medium assumes that an organisation has paid reasonable attention to this area in the past but there are areas for improvement. This translates into a prudent 1.5% saving on controllable spend in year 1.
Contract focus year on year decline.	50%	This is the level of decline that is applied to the saving through years 2 and 3. It reduces as the number of savings opportunities will reduce as time progresses.

Category management

Assumption	Value Assumed	Comments
Amount of indirect controllable spend.	£400,000	
Level of previous category management activity.	Medium	Medium assumes that an organisation has had some category management effort in the past but not all categories may have been focused upon or some areas were started but not completed. This translates into a prudent 6.5% saving on controllable spend in year 1.
Category management year on year decline.	50%	This is the level of decline that is applied to the saving through years 2 and 3. It reduces as the number of savings opportunities will reduce as time progresses.

It is important to understand that these savings are a typical example and do not indicate the level of savings that your specific organisation is likely to realise.

Prudent assumptions

We want to demonstrate that the benefits outlined in this business plan are prudent and therefore achievable. Below we have highlighted some of the assumptions that make up the numbers presented and the reason why they are prudent.

- We have assumed only indirect spend can be influenced. It may be that your direct spend can also be affected and the savings level will be even higher;
- For "contract focus" and "category management" the savings outlined only have benefit counted in the year that they were generated. Some savings calculators may take a saving horizon of 3 or more years that relate to cost avoidance.