COMPUTERWORLD

November 25, 2002

Despite Downturn, CIOs Push Projects; Promises of ROI help sell new tech investments

BYLINE: Thomas Hoffman

While other Comdex attendees were searching for new gadgets, a group of corporate IT leaders were outlining steps they're taking to deliver quantifiable business value on technology investments during the economic downturn.

Although the companies deployed different technologies, they share one common element: They weren't afraid to invest in IT projects that are expected to deliver solid returns on investment at a time when many IT managers are struggling just to maintain service levels for systems because of flattened budgets.

For example, Capital One Financial Corp. several months ago decided to replace the bulk of its HP/Oracle data warehousing system with one based on NCR Corp.'s Teradata technology. **Gregor Bailar,** CIOat the Falls Church, Va.-based credit card company, estimated that the investment will total "tens of millions of dollars."

But Bailar said the project is expected to deliver an ROI of two to three times the cost. For one thing, the Teradata technology should significantly cut the amount of time that executives have to wait for the results of analytical applications run against data collected from customers, he said.

Susan J. Unger, CIO at DaimlerChrysler Corp. in Auburn Hills, Mich., said the automaker implemented an enterprise-wide materials cost management system early last year. The application was aimed at helping DaimlerChrysler's 54 automotive component teams share ideas about increasing the use of common parts across its vehicle lines.

Based on IBM's Notes software, the system took less than a month to develop and cost less than $1 million, Unger said. Component team members are now using it to hatch an average of 570 ideas for improving vehicles each week, she added, describing the project's ROI as "unbelievable."

For example, the system has helped DaimlerChrysler cut the number of fog lamps used in various vehicles, saving $7 million, Unger said. The software also helped the company winnow the number of seat structure components it uses, which should lead to $40 million in savings in the next two years, she said.

Even smaller projects can pay off in big ways. Wyndham International Inc.'s rollout of a centralized call accounting system for its hotels last month is already contributing to cost savings, said Mark Hedley, chief technology officer at the Dallas-based travel industry company.

The call accounting system serves several purposes, Hedley said. For starters, it helps front-desk clerks at each hotel identify loyalty program members who qualify for free telephone service. It also lets hotels keep track of individual customer charges for internal costing purposes, said Hedley.

Wyndham also expects its investment to deliver IT-related benefits. Hedley said the $220,000 in software, hardware and deployment costs are expected to produce up to $60,000 in annual maintenance savings for technology that's no longer needed.