

The Preliminary Total Cost of Ownership for E-Commerce at UNL

To: Gary Aerts

From: Grace Wang

Subject: TCO for e-Commerce at UNL

Date: March 12th, 2009

The preliminary TCO report has been submitted to Clara Anne Embree Budget department which requested from Chancellor to create a full business and finance plan for implementing e-Commerce solution at campus wide. Anne Embree will provide financial recommendation on how financially this project to be sustained.

Project Objective

The Information Services strategic initiative for this project is to identify the technology component requirements and relative costs with Magento system and create a Total Cost of Ownership report of implementing campus wide e-Commerce solution.

Project Scope

The project **scope** is to estimate a Total Cost of Ownership (TCO) for implementing Magento system to run low failover in production for 5 years. The report is based on providing products both on and off campus with the aim of streamlining the purchase experience for the customer and yielding tangible efficiencies of operations resulting in saving to the University.

The assumptions Based On

- Single centralized virtual storefront (web site) allowed for online shopping, no paralleled front-end web site allowed for cost savings purpose. (Chancellor's Policy? No answer yet. Anne Embree's project about e-Commerce business plan should have answer.)
- Potentially all 47 vendors across campus will use the centralized Magento system. But currently there are 25 entities across campus are internet credit card merchants, the other 22 entities do not have an internet credit card yet.

(see Appendix D for the 25 internet merchant list)

- The system will be delivered by three phases.
 - First phase: tangible merchants such as ordering products online;
 - Second phase: intangible merchants for digital download such as Geosciences software or image download;
 - Third Phase: special ordering for deploying special functions such as tickets ordering with map provided, for example Lied center;
- The 2nd and 3rd phases tightly depend on the success of the 1st phase.

Features Not Included

- Tuition/ Fee payment.
- Marketing expenses such as convincing merchants use this product.
- How to delivery merchandise.
- Software implementation.

TCO Report

Item	Year 0 2009 Phase I	Year 1 2010	Year 2 * 2011 Phase II	Year 3 * 2012 Phase III	Year 4 2013
Hardware Costs (Appendix C: Magento System Requirement)					
Development Server (1 server)	\$0.00	\$1,500.00	\$1,500.00	\$1,500.00	\$1,500.00
Primary Production Server (1 server) (Appendix A)	\$6,000.00	\$1,500.00	\$1,500.00	\$1,500.00	\$1,500.00
Backup / DisasterPlan Server (1 server) (Appendix A)	\$6,000.00	\$1,500.00	\$1,500.00	\$1,500.00	\$1,500.00
Software Costs					
Magento System Support (Appendix B) (ie. platinum support)	\$7,920.00	\$7,920.00	\$7,920.00	\$7,920.00	\$7,920.00
Personnel Costs					
System Administrator (10% FTE, assume 1 FTE costs \$60,000)	\$6,000.00	\$6,000.00	\$6,000.00	\$6,000.00	\$6,000.00
Software Development, Maintenance and Support (1 FTE)	\$60,000.00	\$60,000.00	\$60,000.00	\$60,000.00	\$60,000.00
Merchants Training & Support (Data provided from Robert Crisler)					
Magento Software Development Training (2 Person for 2 days on-site training)	\$2,000.00	\$0.00	\$2,000.00	\$2,000.00	\$0.00
Merchant Costs					
Packing and Shipping or Centralized Inventory	Amount to be supplied by Clara Anne Embree Budget department				
Other Costs					
Telecommunications for Customer Service Labor Cost **	\$44,360.00	\$44,360.00	\$44,360.00	\$44,360.00	\$44,360.00
Telecommunications for Customer Service Facility Cost	\$838.00	\$588.00	\$588.00	\$588.00	\$588.00
E-Commerce Operation Management (50% of 1 FTE, assume 1FTE costs \$60,000)	\$30,000.00	\$30,000.00	\$30,000.00	\$30,000.00	\$30,000.00
Sub Total	\$163,118.00	\$153,368.00	\$155,368.00	\$155,368.00	\$153,368.00
Contingency *** (15% based on Sub-Total)	\$187,585.70	\$176,373.20	\$178,673.20	\$178,673.20	\$176,373.20
Total Cost					\$897,678.50

Assumptions

The eCommerce application run in minimum failover of operation	24 * 7
Magento License (GPL)	No License Fee
Application Life Expectancy	5 years
Hardware Depreciation	4 years

Note:

The above costs are real dollars, not adjusted by inflation rate.

The cost for all servers is calculated with the depreciation expenses.

Footnote:

This project divides the whole campus E-Commerce implementation into three phases:

- * First Phase E-Commerce address the tangible products selling online such as Dairy Store, N-Shop, CIT etc.
- * Second Phase E-Commerce address the intangible products such as Geosciences image download etc.
- * Third Phase include special products such as tickets ordering with maps etc.

** Phase II and Phase III are based on success of Phase I.

** The Telecommunication labor cost is based on one employee handling 23 average incoming calls per day to operate

** 24 *7 on phone operation. The salary is a mixed rate between student staff and FTE staff.

*** The contingency is based on the risk of the project. It includes the downtime cost.

Appendix A: Server Requirement

Appendix A: Server Requirement

Appendix B: Magento System/ Application Support

Magento support <http://www.magentocommerce.com/support/overview>

This would support would be for both the system and application programming.

silver support	\$504 year
gold support	\$2400 year
platinum support	\$7920 year

Appendix C: Magento System Requirements

Appendix D: UNL Internet Merchant List by Name (25)

Lied Center	UNL Food Process Center -Inte
UNL Academic Conferences	UNL -Graduate Admissions
UNL Athletic Ticket Office	UNL Housing Contracts
UNL Buros Institute -Internet	UNL IANR Comm and Info Tec
UNL Bursar Internet Pymt	UNL Information Services
UNL Campus Recreation	UNL Information Services Even
UNL CASNR	UNL Nebraska 4H Centers
UNL College of Business	UNL Nebraska Press
UNL College of Ed & Human S	UNL NET Television
UNL Ctr for Applied Rural Innov	UNL Office of Admissions
UNL Extended Education	UNL Office of Admissions Dept
UNL Parking SVS Internet	UNL School of Natural Resourc
UNL Press -Internet	