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ROI CASE STUDY

LOGI ANALYTICS

LOGISTIC SPECIALTIES, INC. (LSI)

THE BOTTOM LINE

Nucleus Research examined the use of Logi Analytics to support bidding and contract analysis at Logistic Specialties, Inc (LSI). Analysts identified benefits that included headcount reallocation, increased market share, and increased margins associated with each deal.

ROI: 537%

Payback: 2.2 months

Average annual benefit: \$372,833

THE COMPANY

Logistic Specialties, Inc. (LSI) is a leading provider of business development consulting and logistical support services. Founded in 1972, LSI, based in Layton, Utah, specializes in facilitating the fulfillment of government supply requirements, assisting in accelerating state economic development and increasing post-award performance. By collaborating with subcontractors and suppliers, LSI provides business development strategy, program management oversight, process, training, and proposal development.

THE CHALLENGE

The greatest competitive challenge for LSI is in responding to RFPs posted by the government. To win these contracts and bids, LSI must quickly respond with the most thorough and competitive response. Traditionally, LSI had tracked these RFPs manually via Excel, which was a common practice in this industry. However, over time the spreadsheet grew to 127 MB. This excess growth led to several basic operational challenges:

- Challenges in opening the file. To simply open the file, employees at LSI had to wait 10 minutes for the spreadsheet to fully render.
- Manual error. Because all spreadsheet-based activity was manual and lacked governance, LSI was prone to mistakes and basic data errors that would need to be corrected for each RFP response.

- Lack of agility. The cumbersome document kept LSI from proactively searching for business because of the challenges of simply responding to low-hanging fruit.

These problems came to a head when LSI bid on a contract with 4 primes and over a billion dollars at stake. LSI won a share of this contract and needed a higher performance database to track all of the activity associated with this business. Originally, LSI had sourced a partner who was going to provide the database, but wanted a large percentage of the income in return. Because of this, LSI was forced into a make or buy situation.

**Cost : Benefit
Ratio | 1 : 10.4**

THE STRATEGY

LSI implemented a Logi Analytics-based application over a 6-month period to create an in-house solution to this data problem. Due to the relatively low cost of Logi Analytics and the ability to host the application within a VMware virtual machine, hardware and software costs were lower than expected for a project of this nature.

With Logi Analytics, LSI was able to create a true analytic application that not only provided basic information regarding each potential proposal and bid, but also allowed LSI to support a research management solution that could read information from their CRM and ERP systems and directly pull out any information needed. With this application, LSI was able to create the following:

- Decision support page. Based on the needs of each RFP, LSI can pull up a matrix of all government qualified vendors who can supply the needed parts or services along with the quote, the price, and the vendor risk. Within this application, analysts can send RFQ (Request for Quote) e-mails to vendors and add margin based on business needs.
- Vendor portal. LSI also now has a portal where vendors can add quote, view delivery statuses, and enter project milestones which become especially important for projects with long lead times where years may separate the original bid from recognized revenue.
- Purchase request tracking system. In addition, LSI built a system to import purchase orders into the company's financial system, then link to other enterprise applications for greater corporate visibility.

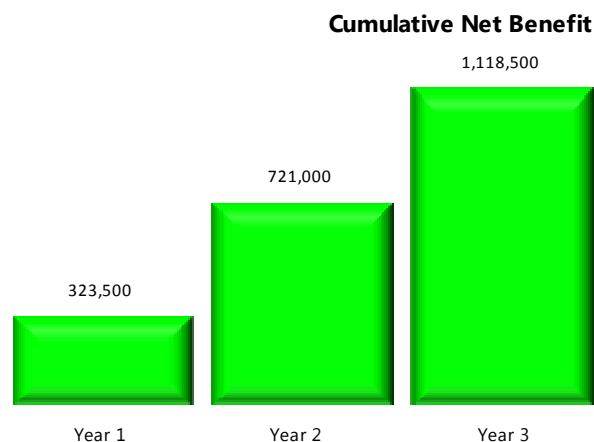
"I was able to pursue this project because I work for Sean Slatter, a leader who believes in technology and took a big risk in building this in-house that paid off."

~Mark de Amici, CTO, LSI

KEY BENEFIT AREAS

By developing greater visibility to existing bids and projects and improving the company's ability to respond, LSI was able to greatly increase market share and profits. The main benefits of the project included:

- Increased market share for a key contract. For a 120 million dollar per year contract with four primes, LSI could reasonably expect to win a quarter of that business, which would be 30 million dollars. However, with the combination of Logi Analytics and improved business processes, LSI was able to win 60 percent of this contract, making this project extremely profitable. By moving from a traditional spreadsheet to OLAP data cubes that could scale to LSI's needs, the business greatly overperformed on its expectations.
- Increased profitability. The project allowed LSI to focus on projects with higher margins and to avoid cost-neutral work. With increased visibility, LSI was able to triple their margins in some cases.
- More efficient Accounts Payable operations. By automating data entry and providing greater visibility to executives, LSI was able to reallocate three accounts payable personnel previously assigned to track this information.
- Increased operational productivity. By bringing information closer to managers and employees, LSI was able to increase productivity by an average of 50 percent.

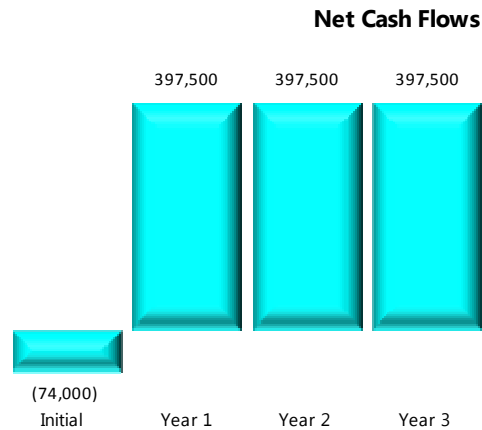


"Since we initially increased market share, we haven't pushed market share as much as margin. In this business, margins are skinny, but we've used information from our Logi Analytics deployment for increased profit. Now we only bid on 70 out of 100 contracts based on the price offered."

~Mark de Amici, CTO, LSI

KEY COST AREAS

Costs of the project included software, a virtual machine, and personnel. The ease of using Logi Analytics allowed LSI to complete this project without any consulting costs or any training on the Logi Analytics platform.



The majority of the implementation cost came from six months of work from one developer, James Beemes, and part-time work from an IT manager. In addition, LSI spends approximately five hours a week on an ongoing basis for data entry and managing the Logi Analytics environment.

BEST PRACTICES

LSI successfully implemented Logi Analytics and gained great value by targeting a core operational challenge and accelerating time-to-value. Some of the best practices included:

- Focus on the bottom line. LSI identified a core business activity that was hampered due to legacy business practices. Because the project started with a strong business need, the success of this project was easy to quantify and the efforts of this project were easy to justify.
- Using analytics, not just data middleware. Although the value of accessing business data is considerable, data alone does not provide business value. To support business needs, data must be put into context and analyzed based on end-user needs. This requires that data is not just made available to end users, but that it can be processed to support specific bids or contracts.
- Deploying analytics within applications. Although it can be tempting to simply provide an analytic engine to line of business employees, human beings need context. By building multiple applications on top of the historical data, LSI was able to bring data to employees and support key business decisions more fully.

"When you're a small to midsize company, you don't have deep pockets, and there are several things you can't do that other large companies can, what gives you an edge in the marketplace is your ability to change, move, and turn on a dime."

~Mark de Amici, CTO, LSI

CALCULATING THE ROI

Nucleus calculated the costs of consulting, personnel, and training over a 3-year period to quantify LSI's investment in Logi Analytics.

The change in profit was estimated by assigning a percentage of revenue share and improved margins to the new Logi-based software. Productivity benefits were modified by using a productivity factor to account for the fact that not all time saved is efficiently transferred to new work accomplished.

FINANCIAL ANALYSIS

Logi Analytics - LSI

Annual ROI: 537%

Payback period: 0.2 years

ANNUAL BENEFITS	Pre-start	Year 1	Year 2	Year 3
Direct	0	0	0	0
Indirect	0	412,500	412,500	412,500
Total per period	0	412,500	412,500	412,500

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

DEPRECIATION SCHEDULE	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

EXPENSED COSTS	Pre-start	Year 1	Year 2	Year 3
Software	3,000	600	600	600
Hardware	5,000	0	0	0
Consulting	0	0	0	0
Personnel	66,000	14,400	14,400	14,400
Training	0	0	0	0
Other	0	0	0	0
Total per period	74,000	15,000	15,000	15,000

FINANCIAL ANALYSIS	Results	Year 1	Year 2	Year 3
Net cash flow before taxes	(74,000)	397,500	397,500	397,500
Net cash flow after taxes	(40,700)	218,625	218,625	218,625
Annual ROI - direct and indirect benefits				537%
Annual ROI - direct benefits only				-20%
Net Present Value (NPV)				533,041
Payback period				0.2 years
Average Annual Cost of Ownership				39,667
3-Year IRR				535%

FINANCIAL ASSUMPTIONS

All government taxes	45%
Cost of capital	7.0%



By the Numbers

LSI's Logi Analytics project



Annual Return
on Investment **537%**

2.2 months
The total time to value, or
payback period, for the project

Cost : Benefit
Ratio **1 : 10.4**

\$372,833
Average annual benefit

THE PROJECT

Nucleus Research examined the use of Logi Analytics to support bidding and contract analysis at Logistic Specialties, Inc (LSI). Analysts identified benefits that included headcount reallocation, increased market share, and increased margins associated with each deal.

THE RESULTS

Increased market share from 25% to 60% for a key contract
Increased profitability
Increased finance productivity

Number of **users: 10**

6 Months
Total time for LSI to deploy Logi
Analytics

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- Mark de Amici, CTO, LSI