



November 2012

Document **M158**

ROI CASE STUDY

LOGIXML

ANONYMOUS REAL ESTATE FIRM

THE BOTTOM LINE

An anonymous real estate firm needed to improve the management of its voucher inventory used to drive marketing efforts. With LogiXML, Nucleus Research found that this company was able to reduce administrative headcount by 97% and track down over \$200,000 in voucher inventory.

ROI: 1175%

Payback: 1 month

Average annual benefit: \$413,880

THE COMPANY

The firm profiled manages multiple vacation ownership resorts throughout the United States. As a tourist-driven business, this company uses show ticket and dinner vouchers as incentives to introduce its resort properties to potential customers.

THE CHALLENGE

To drive traffic to its resort tours, this real estate company provides several million dollars in vouchers and premiums each year to tourists in exchange for an introduction and tour of resort properties. These vouchers were treated as a cash substitute by tourists and were being tracked manually and in a decentralized fashion, which led to sub-optimal inventory reconciliation. Tourists would receive tickets with handwritten contact information, which would be collected by agents. These agents would manually enter data based on their ability to decipher the handwriting and then send the tickets to a reconciliation department, which made categorization and reconciliation difficult and led to numerous exceptions. In 2009, this company was unable to fully account for approximately \$200,000 in vouchers, which led to the need for centralized management to improve inventory visibility and ongoing processing of these premiums.

**Cost : Benefit
Ratio | 1 : 19.3**

THE STRATEGY

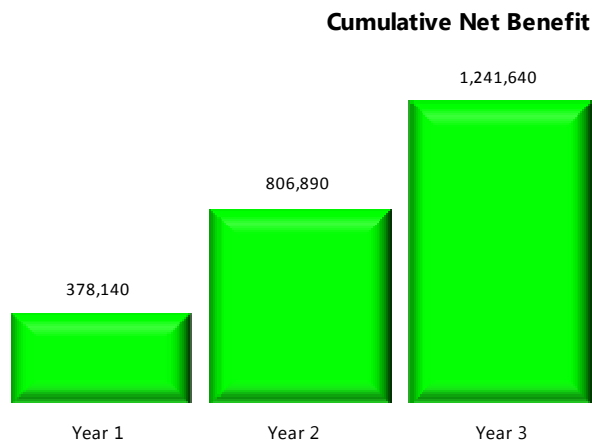
This company was already using LogiXML's Logi Info for other analytics needs, but the IT director had been trained on traditional analytics tools including Crystal Reports, Cognos, and SQL Server Reporting Services. This conflict was initially seen as a potential problem, but was quickly remedied with two days of training from a LogiXML trainer.

After this initial training, the IT director developed a new voucher inventory system over the course of three months, which included working with end users to understand the full business problem, building the front-end interface, and developing back-end SQL tables and scripts to fully store and analyze all of the information associated with voucher distribution, usage, and processing.

This system was initially launched after a one week period to train 40 employees on the front-end application. This approach allowed employees to electronically remit vouchers when they met potential customers and eliminated the need to manually reconcile handwritten information.

KEY BENEFIT AREAS

There were three core benefits associated with this deployment of LogiXML: reduced headcount, improved inventory, and added productivity for marketing and sales staff. First, by automating and digitizing the ticket collection and reconciliation process, this real estate company no longer needed to centralize the reconciliation of handwritten vouchers with specific individuals and activities. This allowed the firm to reallocate three voucher reconciliation employees to other accounting and operational tasks within the company.



This company was also able to fully reconcile its \$200,000 inventory deficit in the first year of deployment, which allowed the company to accurately account for these vouchers. Since these vouchers are often treated like cash in resort locations, this resort company was able to reconcile this value internally rather than write off the value of this inventory.

Our reconciliation department used to be able to just post adjustments for vouchers that couldn't be fully processed. But we needed to reflect what we collected, not just what the adjustments were.

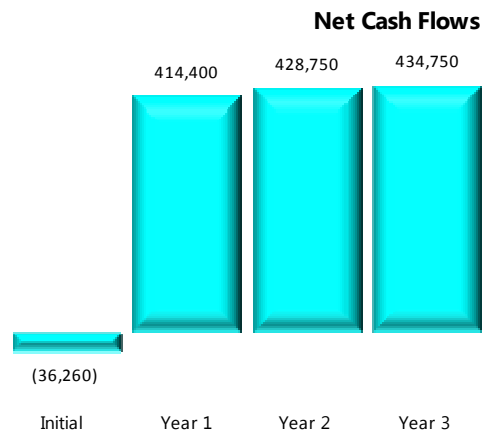
IT Director, Real Estate Firm

This inventory and remittance management solution also provided additional productivity for marketing and sales staff tasked with tracking and following the activity associated with these vouchers. By providing greater visibility into the redemption of these vouchers, this solution ended up saving an average of 20 minutes a day for each of these employees. The voucher tracking provided additional savings in Year 3 when it was used to reduce printing costs by minimizing the amount of paper used for each voucher.

KEY COST AREAS

The cost structure for the initial deployment consisted of two sources: software and internal labor. The initial LogiXML software investment was made prior to this project, but is included to provide visibility to the initial cost associated with deploying a LogiXML-based project. The internal labor consisted of one developer who created the initial inventory reconciliation solution over a period of 90 days. Because a server was reused to host LogiXML, there were no direct hardware costs associated with this project.

After the initial deployment, the voucher management solution was upgraded on a part-time basis over the next four months to track payments associated with these vouchers and to fully track the voucher itself from creation to redemption to further sales and marketing activity.



This project also required two sets of training. Initially, the IT director needed to be trained on the use of LogiXML's Logi Info, which took approximately two days. Afterwards, when the voucher solution was launched to end users, employees were trained over a one week period to understand how manual voucher processes were being converted into a centralized inventory and tracking system.

The ongoing support costs consist solely of the ongoing LogiXML license and maintenance as well as approximately one hour per week to edit existing reports and update the application as necessary.

BEST PRACTICES

This company achieved a high Return on Investment for this project because it focused first and foremost on a core inventory management issue with a strong direct benefit. This project solved both a voucher tracking problem that was causing accounting issues and resulted in the reallocation of three employees. Nucleus has found that the most common direct benefits associated with successful technology projects are reduced inventory, reduced headcount, and reduced infrastructure. By designing a project that achieved two out of three key value propositions, this firm improved its management practices and achieved an ROI of 1175 percent.

CALCULATING THE ROI

Nucleus calculated the initial and ongoing costs of software, personnel, and training over a three-year period to quantify the total investment in updating its reporting environment. Productivity benefits associated with this solution were modified by a productivity factor of 0.7 to account for the inefficient transfer of labor between tasks.

To standardize this project with other projects analyzed by Nucleus, this ROI was calculated based on a 45 percent tax rate and a 7 percent cost of capital.

FINANCIAL ANALYSIS

LogiXML - Anonymous Real Estate Firm

Annual ROI: 1175%

Payback period: 0.1 years

ANNUAL BENEFITS	Pre-start	Year 1	Year 2	Year 3
Direct	0	410,000	410,000	416,000
Indirect	0	24,500	24,500	24,500
Total per period	0	434,500	434,500	440,500

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	11,700	4,000	4,000	4,000
Hardware	0	0	0	0
Consulting	0	0	0	0
Personnel	17,500	16,100	1,750	1,750
Training	7,060	0	0	0
Other	0	0	0	0
Total per period	36,260	20,100	5,750	5,750

FINANCIAL ANALYSIS	Results	Year 1	Year 2	Year 3
Net cash flow before taxes	(36,260)	414,400	428,750	434,750
Net cash flow after taxes	(19,943)	227,920	235,813	239,113
Annual ROI - direct and indirect benefits				1175%
Annual ROI - direct benefits only				1107%
Net Present Value (NPV)				594,221
Payback period				0.1 years
Average Annual Cost of Ownership				22,620
3-Year IRR				1146%

FINANCIAL ASSUMPTIONS

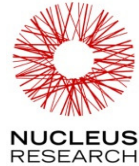
All government taxes	45%
Cost of capital	7.0%



NUCLEUS
RESEARCH

By the Numbers

Anonymous Real Estate Firm's deployment of LogiXML



Annual Return
on Investment

1175%

1.0

Months

The total time to value, or
payback period, for the LogiXML
project.

Cost : Benefit
Ratio

1 : 19.3

\$

413,880

Average annual benefit

THE PROJECT

An anonymous real estate firm needed to improve the management of its voucher inventory used to drive marketing efforts. With LogiXML, Nucleus Research found that this company was able to solve both a voucher tracking problem that was causing accounting issues and reallocate three employees to higher value tasks.

THE RESULTS

Reduced administrative headcount by 97%
Fully accounted for an additional \$200,000 in vouchers

Number of **users: 40**

3

Months

Total time for Anonymous Real
Estate Firm to deploy LogiXML

"Our reconciliation department used to be able to just post adjustments for vouchers that couldn't be fully processed. But we needed to reflect what we collected, not just what the

- IT Director, Real Estate Firm

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