ROI CASE STUDY
COGNOS
RYERSON

THE BOTTOM LINE

Ryerson uses Cognos Planning to both rapidly create a single view of the company's steadily growing operations and improve the productivity of its managers and accountants.

ROI: 63%

Payback: 1.6 years

THE COMPANY

Ryerson is a steel products distributor with operations in the United States, Canada and joint ventures in Mexico, India and China. The company sells a broad range of steel products to a variety of steel users, including machinery manufacturers, electrical machinery producers, transportation equipment producers, metals mills, and foundries. As a result of both acquisitions and internal growth, Ryerson's revenues have more than doubled since 2003 and the company is now the third largest publicly-held steel company in the United States. Despite its rapid growth, the company remains well managed. In 2006, Ryerson was included in Fortune Magazine's list of America's most admired companies, a list that ranks companies according to a number of factors, including financial soundness, quality of products, and ability to innovate and utilize employee talent.

THE CHALLENGE

In order to compete in the consolidating steel industry and remain cost competitive throughout the industry's cycles, steel companies must be able to aggressively acquire and consolidate the operations of other businesses. Prior to its acquisition by Ryerson in 2005, Integris Metals was positioning itself to perform better in this environment. The company had 50 branches and its finance staff used a manual and labor-intensive set of workflows to compile the Excel-based budgets of all the branches. Because of the rapidly consolidating nature of the steel industry, Integris's senior management wanted a way to more rapidly and accurately create a single view of the entire company because this would enable the company to better manage its operations, acquire other businesses, and maximize its value as a potential acquisition.

THE STRATEGY

In mid-2002, Integris purchased Cognos Planning (then Adaytum) after considering several other solutions because it found Cognos Planning was more user friendly, scalable, and better able to access a variety of systems. Scalability and flexibility

were important because Integris anticipated that it would soon either acquire a company or be acquired.
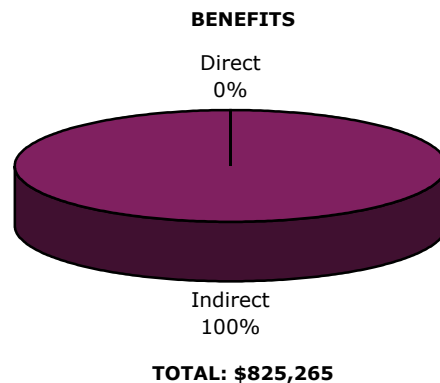
Cognos Planning was deployed in four months by three Integris employees who worked with three consultants from eCapital Advisors, a Cognos reseller and partner. Because the company's operations were so geographically dispersed, most of the deployment was focused on gathering data and modeling processes. This required identifying where this data was stored in the company's data cubes, and then planning how the budget information would flow from one database to another. Once the data flows were established, workflows were designed for Integris's staff that builds monthly reports and budgets. The team completed this process for its sales, expenses, and payroll statements. In October 2002, Cognos Planning was deployed across all of Integris's 50 branches and its headquarters.

In 2005, Integris was acquired by Ryerson, which broadened the deployment of Cognos Planning across its entire operation. At the time, Ryerson was using SAP for ERP. The company considered using SAP BI, but estimated that it would have required too much customization to pull data from parts of Ryerson that were not on SAP. Cognos Planning is now used by 200 people to create monthly financial reports and daily sales reports. Various levels of management in the finance, sales, and marketing departments use these reports to make decisions based on a single view of the company's operations.

KEY BENEFIT AREAS

Cognos Planning enables Ryerson to more rapidly compile the financial statements of its operations in order to have a single financial view of the entire company, which is a valuable strategic asset in the mature and consolidating steel industry. Key benefits from the solution include:

- Improved manager productivity. Because Cognos Planning gives Ryerson's managers a consistent and unified view of the branches they manage, they spend less time reviewing reports in order to evaluate their operations and make tactical decisions.

- Improved accountant productivity. Because Cognos Planning automates the consolidation and integration of the financial statements from all of Ryerson's branches and acquired operations, the company's accountants are 20 percent more productive, enabling these employees to spend time on more value-added tasks such as analyzing operating results.

BENEFITS

Direct
0%

Indirect
100%

TOTAL: $825,265

KEY COST AREAS

Key cost areas for the deployment included software, consulting, personnel, and hardware. Three consultants from eCapital Advisors worked with three Ryerson employees for four months to deploy Cognos Planning, which required one server. Training consisted of a 5-day seminar for the members of Ryerson's deployment team, who then provided informal training to end users on an as-needed basis.

COSTS

Personnel 7%
Training 1%
Consulting 25%
Hardware 6%
Software 61%

TOTAL: $406,116
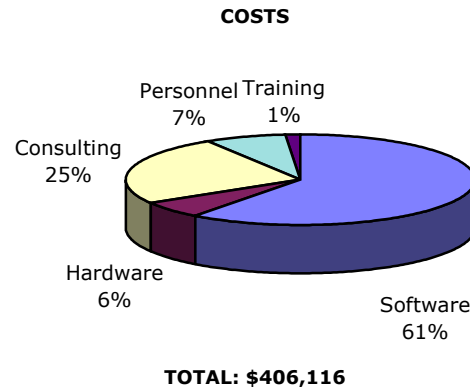
LESSONS LEARNED

Cognos Planning has played a significant role in Ryerson's rapid but controlled growth in the consolidating steel industry. During the last three years, the company has completed three major acquisitions and entered into a joint venture in China. Throughout this expansion, Ryerson has been able to scale Cognos Planning across the company's entire operations. The ability to rapidly create a single view of a company after an acquisition makes it easier for the company to both rapidly integrate and improve the profitability of the companies it acquires.

CALCULATING THE ROI

Nucleus calculated the costs of software, consulting, personnel, and hardware over a 3-year period to quantify Ryerson's total investment in Cognos Planning. Indirect benefits included both improved productivity for accountants who can create consolidated budgets and financial statements faster and improved productivity for managers who can make decisions faster with a single view of the company. Productivity benefits were quantified based on the fully loaded annual cost of employees, applying a correction factor to account for the inefficient transfer of time from time saved to time worked.   Not quantified was the reduced risk and cost of integrating acquisitions: by drawing data from a variety of sources and rapidly generating a single view of the company's operations, Cognos Planning improves Ryerson's competitiveness by enabling it to quickly and cost-effectively integrate new businesses as they are acquired, minimizing the operational risk of acquisitions.

SUMMARY

Project:	**Cognos Planning**
Annual return on investment (ROI)	**63%**
Payback period (years)	**1.59**
Net present value (NPV)	**88,199**
Average yearly cost of ownership	**135,372**

ANNUAL BENEFITS	Pre-start	Year 1	Year 2	Year 3
Direct	0	0	0	0
Indirect	0	275,088	275,088	275,088
Total Benefits Per Period	0	275,088	275,088	275,088

DEPRECIATED ASSETS	Pre-start	Year 1	Year 2	Year 3
Software	125,000	0	0	0
Hardware	25,000	0	0	0
Total Per Period	150,000	0	0	0

DEPRECIATION SCHEDULE	Pre-start	Year 1	Year 2	Year 3
Software	0	25,000	25,000	25,000
Hardware	0	5,000	5,000	5,000
Total Per Period	0	30,000	30,000	30,000

EXPENSED COSTS	Pre-start	Year 1	Year 2	Year 3
Software	0	40,000	40,000	40,000
Hardware	0	0	0	0
Consulting	99,900	0	0	0
Personnel	0	10,125	10,125	10,125
Training	5,841	0	0	0
Other	0	0	0	0
Total Per Period	105,741	50,125	50,125	50,125

FINANCIAL ANALYSIS	Year 1	Year 2	Year 3
Net cash flow before taxes	224,963	224,963	224,963
Net cash flow after taxes	127,482	127,482	127,482
Annual ROI - direct and indirect benefits			**63%**
Annual ROI - direct benefits only			-5%
Net present value (NPV)			**88,199**
Payback (years)			**1.59**
Average annual cost of ownership			135,372
3-year IRR			40%

FINANCIAL ASSUMPTIONS

All government taxes	50%
Discount rate	15%