

# BMG Seltec Systems

## Enable Your Whole Business to be More Profitable

The following is a look at the financial performance of a hypothetical \$100 million construction material producer, before and after implementation of BMG Seltec's complete suite of integrated systems. The projected results are estimated based on an amalgamation of feedback received from many BMG Seltec customers, and the assumptions described in the notes on page 9. In fact, the results below significantly understate the cumulative feedback we have received. Your results will undoubtedly differ, as they will depend on your starting place (i.e. how much of this technology you have already adopted) and your competitive environment (i.e. the percentage of the achieved cost reductions can be retained as earnings, versus that which must be passed on to customers in order to remain competitive).

### Financial Results of Modernizing Systems with BMG Seltec

	Before Project	After Project	Notes
Sales	\$ 100,000,000	\$ 100,000,000	
Additional Sales	\$ 0	\$ 2,000,000	1
Total Sales	\$ 100,000,000	\$ 102,000,000	
COGS	\$ 75,000,000	\$ 76,500,000	
Production Process Improvements		\$ (1,530,000)	2
Total COGS	\$ 75,000,000	\$ 74,970,000	
Gross Profit	\$ 25,000,000	\$ 27,030,000	
General and Administrative Expenses	\$ 9,000,000	\$ 9,000,000	
Productivity Improvements	\$ 0	\$ (270,000)	3
Total G&A Expenses	\$ 9,000,000	\$ 8,730,000	
Selling Expenses	\$ 2,500,000	\$ 2,500,000	
Productivity Improvements	\$ 0	\$ (500,000)	4
Total Selling Expenses	\$ 2,500,000	\$ 2,000,000	
Operating Profits	\$ 13,500,000	\$ 16,300,000	
% Sales	13.5%	16.0%	
Typical Total Cost of Purchasing, Installing and Implementing Complete BMG Seltec Solution Set, including Internal Costs, in Company this Size		\$ 1,400,000	5
Increased Operating Profits		\$ 2,800,000	
% Increase in Operating Profits		21%	
Payback	6 Months Following Completion of Project		
ROI in 1st Full Year of Operation Following Implementation		100%	

Additional savings can be realized below the operating profit line. For example, implementation of BMG Seltec's Sales Automation and Transaction Manager modules typically results in a 70% to 80% reduction in invoice errors. Fewer invoice errors results in faster collections, hence less working capital tied up in receivable days outstanding. Lower working capital needs results in lower interest expenses.

## Notes on Financial Results

1. Customer feedback suggests that pre-implementation typical material sales organizations are spending as much as 50% of their time resolving problems (e.g. invoice errors, delivery mix-ups, missing paperwork, etc.) with customers. BMG Seltec systems will allow your sales force to spend more of its time on those activities that will produce additional volume and/or higher prices. Similarly, improved customer service (such as, more accurate and more timely information at your finger tips, and shorter and more predictable in-yard times), will result in improved competitive position, again impacting both market share and pricing. System-enforced business rules will result in fewer under and/or missed billings, further improving revenues. Taken together, these factors can result in incremental sales revenues of 2% or more?
2. This hypothetical example conservatively projects a 2% reduction in the cost of sales (from 75% to 73.5% of sales) based on BMG Seltec enabled productivity gains. Included in those gains would be increased site/plant throughput during heavy traffic periods via use of BMG Seltec self-service kiosks for truck check-in/check-out; increased plant throughput via use of BMG Seltec's new, more accurate, batching control systems; reduced personnel costs via automation and/or consolidation of operations processes; error reduction via elimination of manual data entry; reduced inventory carrying costs via better forecasting and usage information; system-enforced business rules to ensure consistent application of company policy; and company-wide implementation of best practices identified as a result of the information the system provides.
3. Contributing to the estimated 3% reduction in general and administrative expenses are many of the same elements listed in note #2 above (consolidation and streamlining of functions among multiple sites; fewer data entry errors, hence lower total costs of quality; identification and implementation of intra-company best practices; company-wide enforcement of business rules; accelerated integration of newly acquired sites/businesses; prevention of theft; automation of previously manual tasks, hence lower personnel costs; etc.).
4. The 20% reduction in selling costs is based on two assumptions. One is that if the sales organization has fewer problems (e.g. fewer invoicing errors) to resolve, fewer personnel are required. Second, as the system provides timely, accurate, networked information on all sites available from any location, responsibilities can be consolidated among fewer, more centrally located, sales personnel. A west coast BMG Seltec customer reports paying for the entire cost of the BMG Seltec solution set with a single year's savings in selling costs.
5. The cost of purchasing, installing, implementing, and supporting the entire suite of Seltec products will vary from customer to customer depending on size (number of sites and number of users), business segments (aggregates, asphalt, concrete), and current status of ones information systems and IT organization. Typically, however, the total cost falls within the range of .5% to 1.5% of the customer's annual revenues. For the purposes of computing payback and ROI in this example, an average of 1%, plus internal expenses totaling .4%, was used.

“Pike Industries have been using BMG Seltec automation and software products for over 32 years. Over the years, we have been growing and expanding our operations and customer base. Through cooperation and partnering with BMG Seltec we have been able to face these changes. As a result of all these opportunities, we have a stronger company providing better services to our customers. We look forward to continued growth and even higher production levels. To realize these goals, we must stay on top of technology and innovation. We will continue to look to BMG Seltec as one of our technology and innovation partners.”

Theron Wright  
Electrical Supervisor,  
Pike Industries,  
Campton, NH