

LAVA HQ-ST Link

Business Case Analysis: HQ-ST Link versus Modem-Based Polling

Introduction

This business case analysis compares the costs of operating a telephone modem-based Electronic Cash Register (ECR) polling system to the costs of equivalent polling using the LAVA HQ-ST Link system. While individual results may vary from deployment to deployment and company to company, the estimates and costs in this analysis are based on real-world experiences of actual companies.

Analysis

Comparative Cost Analysis: Total Operating Savings (Annual, per Store Averages)

	Modem-Based Polling	LAVA HQ-ST Link		
		Best-Case Scenario	Most Likely Scenario	Worst-Case Scenario
Support & labor costs: polling ^a	\$223.02	\$11.15 ^b	\$22.30	\$55.76
Telephone long distance costs	\$45.63 ^c	\$2.28 ^d	\$4.56	\$11.41
Total polling costs	\$268.65	\$13.43	\$26.86	\$67.16
Total operating savings	—	\$255.22	\$241.79	\$201.49

- Based on typical man-hours needed to follow up on missed polls of 8.26 hours/year/store. Employee labour costs are computed on a base salary of \$40k/year, along with supplemental expenses (benefits, taxes, etc.) of 17% and overhead costs (office space, supervision, etc.) of 20% over a 40-hour work week, 52 weeks/year. These figures have been provided to LAVA by an actual quick service restaurant chain of 300 stores, and are considered typical.
- Best-case, most likely, and worst-case scenarios for labor savings are based on 95%, 90%, and 75% reductions respectively. Some support costs will still be required to handle polling failures caused by power failures, ISP outages, etc.
- Based on 2.5 minutes per poll at \$0.05 per minute long distance rates, one poll per store per day. Polling times are based on testing conducted by LAVA; telephone long distance rates have been provided to LAVA by an actual quick service restaurant chain of 5000 stores, and are considered typical.
- Best-case, most likely, and worst-case scenarios for telephone long distance savings are based on 98%, 95%, and 75% reductions respectively. LAVA recognizes some store locations will not have Internet access.

Annual savings figures per store (we use the figure from the “most likely” scenario for calculations in the table below), when extrapolated over a chain of stores and over time, give a picture of the very significant savings afforded by a deployment of HQ-ST Links:

Extended Savings: Multi-Year and Chain

	8-Store Chain	30-Store Chain	100-Store Chain	1000-Store Chain
One-Year Savings	\$1,934.24	\$7,253.42	\$24,178.05	\$241,780.50
Two-Year Savings	\$3,868.49	\$14,506.83	\$48,356.10	\$483,561.00
Five-Year Savings	\$9,671.22	\$36,267.08	\$120,890.25	\$1,208,902.50

The savings results of the Comparative Cost Analysis above can be combined with capital costs to yield return on investment figures for best-, most likely-, and worst-case scenarios:

Return on Investment (ROI)

	LAVA HQ-ST Link		
	Best-Case Scenario	Most Likely Scenario	Worst-Case Scenario
HQ-ST Link deployment cost/store (MSRP)	\$489.95	\$489.95	\$489.95
Total operating savings/store/year (average)	\$255.22	\$241.79	\$201.49
ROI (years)	1.92	2.03	2.43

Additional Considerations

This quick analysis shows that very large savings can be realized by an HQ-ST Link polling system. A number of additional variables could be added: the basically offsetting costs of Internet access (needed for the HQ-ST Link) versus the cost of an additional phone line (needed for convenient modem polling); installation costs of the two polling options; the head-office costs of the two options; and so on.

One important benefit provided by the HQ-ST Link that is not available to chains using modems to poll ECRs is the increased visibility the HQ-ST Link provides, through the HQ Basic management software included with all HQ Plus units. This visibility gives franchise owners a greatly improved window on the operations of stores that can mean better monitoring of franchisee revenues, often the basis for royalty payments.

Conclusion

The LAVA HQ-ST Link is an extremely cost-effective alternative to polling using telephone-line modems, as its extremely short ROI figures of about 24 months show. In addition, the cumulative savings provided over time and over chains of stores are too substantial to be ignored.