Handheld device project – business case

Executive summary

Three options were considered to address the current working problems. The best option is to develop a software and hardware solution for engineers - achieving benefits of £280k in cost savings per year (p/a).

Reasons

The company faces several problems which incur overheads of £280,000 p/a. These are:

a) A high volume of paperwork involved when ordering spare parts
b) A high number of costly errors made when ordering spare parts by mistake
c) Engineers often arrive at customer's premises with the wrong parts.

Business Options

1. Do nothing. This option has overheads of £280,000 p/a. due to the current problems.
2. Train backroom staff to more reliably order spare parts. This option would reduce the number of wrongly ordered parts and achieve cost savings of £10,000 p/a. It would reduce the number of rescheduled appointments saving £60,000 p/a. Initial training costs would be £20,000 plus a further £5,000 p/a. This option will deliver fewer benefits than option 3 and the company will still incur significant overheads each year.
3. Let engineers use handheld devices to order parts. This option would reduce paperwork, reduce errors when ordering, reduce rescheduled appointments and reduce customer contract cancellations. It would also reduce overheads by £280,000 p/a. The costs of developing the software and purchasing hardware would be £190,000. Introducing new working practices would cost £30,000. Hardware and software support costs would be £20,000 p/a. This option gives the best return on investment.

Expected benefits

- Reduced errors when ordering, reduced rescheduled appointments and reduced customer contract cancellations would lead to reduced overheads of £280k per year.

Expected dis-benefits

- Lower morale amongst the back-office staff because overtime payments will be reduced.

Timescale

- Project time: 12 months
- The benefits (reduced overheads) are to be measured annually (for two years), starting one year after the solution is delivered.

Costs

- Project costs: Hardware £40k; Software £150k; New working practices £30k
- Operational costs (per year): Support £20k

Major risks

Staff lack experience in specifying requirements on a software project. This could lead to the wrong software solution being delivered. This is likely to reduce the benefits realized from the project.

Investment appraisal

	Year 1	Year 2	Year 3
Project costs	-£220k	£0k	£0k
Operational costs	£0k	-£20k	-£20k
Benefits	£0k	£280k	£280k
Net benefits	-£220k	+£260k	£260k