

A DATALOGIC MOBILE WHITE PAPER

Understanding the Total Cost of Ownership of Rugged Mobile Computers as Compared to Consumer-Grade Devices

Executive Summary

This white paper covers the use of rugged mobile computers in industrial environments when compared to consumer-grade handhelds. It will show how rugged mobile computers provide greater return on investment over the long run. This document explains what criteria companies need to understand when purchasing mobile computers to receive the greatest ROI. Rugged devices are far better suited than consumer-grade devices in industrial environments. This paper clarifies the benefits of having rugged devices in harsh applications and how they can reduce companies' costs and improve the overall mobile process.

Introduction

Datalogic Mobile Incorporated realizes that companies in the transportation, healthcare, and field service industries need to provide their drivers and technicians with up-to-date, reliable information using mobile computers. The use of mobile computers slashes the redundancy that workers encounter when collecting or entering data. Unfortunately, many organizations use nonrugged, or consumer-grade, handheld devices in industrial environments. These consumer-grade devices have a very large total cost of ownership (TCO).

Implementation costs, replacement costs, ongoing support costs, device uptime, and long-term part and service availability impact the TCO of mobile computing devices. Approximately 35% of consumer-grade devices, when used in industrial environments, are replaced within the first two years after implementation. Approximately 80% of these same devices are replaced in the next year. Rugged mobile computers such as those manufactured by Datalogic Mobile will last four to five years or more, with failure rates as low as 2%.¹

Rugged environments are extremely demanding. Datalogic rugged mobile handheld computers can

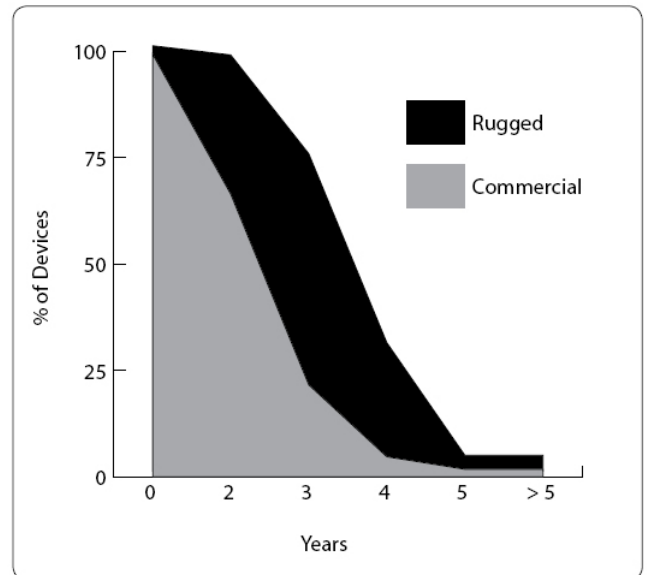


Figure 1: Percent of Devices Remaining in the Field
Source: Venture Development Corp.

¹Venture Development Corporation (VDC)

withstand the challenges these environments create. Rugged devices have different standards, different operational expectations, and are tested very differently than consumer-grade devices. Fully rugged units are defined as having at minimum IP54 protected and have a drop to concrete survivability specification of 5 to 6 feet. Non-rugged or consumer grade devices have no enhanced durability, protection, or testing that certifies their operational integrity. Having a rugged device in a rugged environment cuts the risks of device failure, reduces costs, and gives drivers an edge over their competition.

Buying Motives

When it comes to implementing a mobility system, organizations must understand all the costs associated with the purchase. Only understanding the initial hardware costs is not the best buying motive. Buyers must also understand the cost-savings these purchases will deliver in the long run. According to Gartner Research, enterprises that base investment decisions on TCO instead of acquisition price are more successful in assessing the true cost of IT investments. With that, most people base their decisions on the hard cost -- upfront system acquisition, deployment and training costs -- of mobile computers. A Venture Development Corporation (VDC) study shows that 68.4% of people base their decision on the hard cost of these devices and ignore the soft cost².

Soft costs are training costs, operational costs, maintenance, technical support, upgrades, and downtime expenses. These costs are the majority of overall TCO and are a major factor in whether people make the right buying decision. The choice of mobile computer brand can reduce soft costs. Unlike other mobile computer manufacturers, Datalogic Mobile bundles Wavelink Avalanche device management products into their mobile computer products at no additional cost. The addition of Avalanche gives users features such as remote control and scan-to-configure that drastically reduce the deployment time, configuration errors, and downtime that can be experienced at staging, deployment or failure of a mobile device.

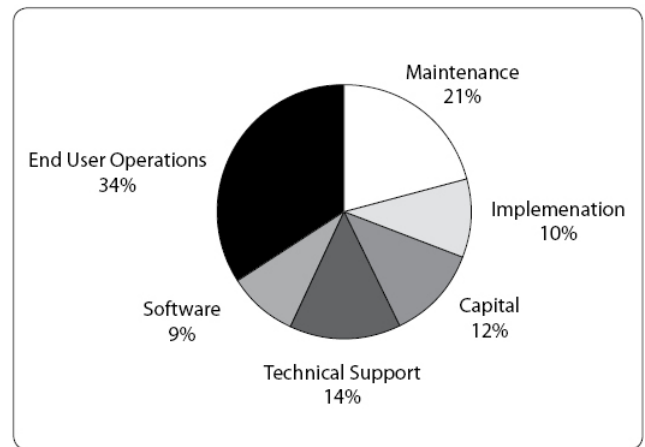


Figure 3: What Contributes to TCO?

Hard Cost / Soft Cost

Rugged mobile computers are designed for a specific purpose and not a mass market. These devices are designed to withstand harsh environments, and have many integrated components such as barcode scanners, digital cameras, GPS, WAN, LAN radios, and Bluetooth. Having integrated peripherals minimizes the overall TCO. Integrated peripherals make mobile computers more versatile, allowing them to act as multiple devices at once. Moreover, these peripherals carry the same rugged rating as the mobile computer, making them more resistant to failure and reducing the TCO for companies who would otherwise have to buy several devices to do the job of one.

Conversely, consumer grade hand held devices have external peripherals that increase the TCO. Because the scanners, GPS units, antennas and other peripherals are not integrated, they can break off during use, be lost, or suffer from compatibility problems. These peripherals, like the nonrugged computer, are not designed

² TCO Models For Mobile Computing and Communications Platforms, VDC, July 2007

to be dropped, sat on, thrown in a truck, or abused. Instead, these devices are intended for a consumer environment where their exposure to abuse is minimal and expectations for use are low.

The TCO of consumer grade devices when used in industrial environments nearly doubles the amount of investment spent during five years as compared to rugged devices. When used in these environments, failure rates of consumer grade devices can be as high as 30%. The labor wages and lost revenues attached can cost over \$125 per hour. In a route application, each time a device fails, vehicle drivers can lose as much as 75 minutes of productivity. Yearly soft costs, including downtime and productivity loss from device failure of consumer-grade devices are approximately \$3,800. For rugged mobile computers, this cost is about \$1,700.³

Mobile devices are going to be abused and that a device failure will cost hundreds, if not thousands, of dollars. The key to success in this environment is to minimize the risks of failure and obsolescence while maximizing mobile worker productivity. For this reason Datalogic designs and tests their products to endure the rigors of the mobile workforce while maximizing the productivity of mobile workers.

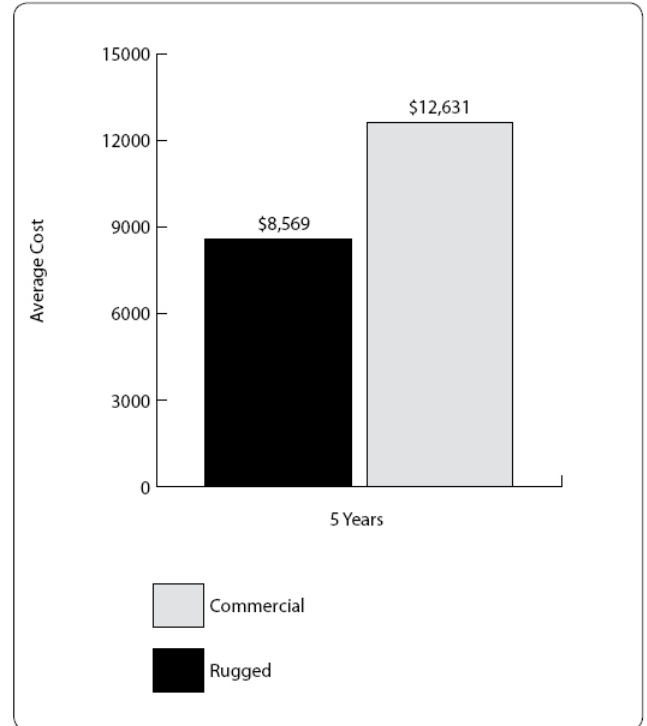


Figure 2: 5-year Average Annual TCO, Per Device, in Supply Chain Environments
Source: Venture Development Corp.

One Powerful Platform

Datalogic Mobile handheld computers have GPS capabilities, allowing users to perform geo-fencing turn-by-turn navigation, bread crumbing and more.

Geo-fencing is a tool for drivers to set geographical areas. It provides dispatch managers with information warning them if drivers are not where they are expected to be. Bread crumbing records a driver's route activity. This information is analyzed to determine where time, traffic, and distance can be saved resulting in a cut of fuel costs and increasing the driver's productivity.

United Parcel Service used bread-crumbling technology and noticed that when drivers made left turns at stop lights, they wasted significant time, burning much needed fuel and creating a larger carbon footprint. By bread-crumbling, the company developed a strategy to slash the amount of left turns. This cut UPS's fuel costs, increased each driver's productivity, and decreased their fleet's carbon footprint.

UPS also used GPS to help drivers be more effective on the road. In 2006, UPS shaved 28.5 million miles off their delivery routes. This saved about 3 million gallons of gas and reduced their CO2 emissions by 31,000 metric tons⁴. This is important for all companies, and especially those going "green." GPS technology can help companies become environmentally friendly. It offers drivers and management tools that increase the efficiency of their overall mobile process.

Rugged mobile computers also have wireless radios with GSM, 802.11, and Bluetooth for wide area network

³ TCO Models For Mobile Computing and Communications Platforms, VDC, July 2007

⁴ Left-Hand-Turn Elimination, The New York Times Magazine, December 2007

(WWAN), local area network (LAN), and personal area network (WPAN) communications. These features keep workers connected to their enterprise and their equipment inside and outside of the facility. GSM communications transmit information to and from the servers located in enterprise facilities when workers are remote. Drivers can gather and send information in real time. Real time communications boost productivity by eliminating data entry tasks upon return to the facility. Moreover, real time data entry means orders, billings, and other processes are entered instantaneously and begin processing before the return of the mobile worker. This speeds processing time, increasing customer service levels, and reducing time to revenue. On-site invoicing and collections can reduce customer payment cycles by 30 to 45 days.

Using their 802.11 radios, mobile computers can transmit information gathered during the day to the enterprise LAN when the drivers return to their facilities. To reduce the cost of communicating over the different networks, applications within rugged devices automatically choose the appropriate connection. For example, if both 802.11 and GSM connections are available, the computer will choose the 802.11 because it is the less expensive of the two. Internal 802.11 connections do not carry the costs from cellular telephone service providers.

Wireless communication features in mobile computers also ease peripheral device communications. Using Bluetooth, mobile computers can communicate with other devices without the use of any extra wires. Drivers can use their ear pieces for communication, wireless on-site printing, or access other devices in their vehicles. Both of these options improve productivity and safety, freeing up drivers' hands and allowing them to give customers what they need. Moreover, connection and removal of peripherals is a wear point where failure can take place leading to expensive down time.

Organizations today expect to be able to track the inventory they have on the road. All Datalogic Mobile computers offer an integrated barcode scanner. Drivers can scan all incoming and outgoing products that enter and leave the trucks. The information is transmitted wirelessly to update inventory counts. There are several barcode scanning technologies.

A laser scanner reads traditional 1D barcodes. Area imagers scan 1D and 2D barcodes and provide two major advances over laser scanners. First, area imagers can scan 2D barcodes. Also, area imagers can take black-and-white photographs for proof of delivery. This gives drivers the power to take pictures of damaged products or blocked gates to ensure their credibility.

Barcode scanners also eliminate the risk of human error when entering data into a system. Research shows that manual data collection tends to produce one error with every 300 keystrokes. In a warehouse that processes 10,000 order lines each day with an average of 10 keystrokes per line, errors generated are 333 data daily or 17,000 data errors annually. Automating data entry eliminates key stroke data errors and more importantly preserves the integrity of the warehouse inventory database.

Labor Cost/Maintenance Costs

Labor and maintenance costs comprise most of the TCO for mobile devices. Finding ways to minimize these costs is essential for companies to become more efficient. One study shows that replacing paper-based maintenance procedures with automated systems can give technicians up to 40 percent more productive time.⁵ Having an automated system not only increases productivity at the point of work, but also in the back-office operations.

Drivers will have information at their fingertips. This minimizes the time they spend communicating with

⁵ Syclo Systems

operators, technicians, and dispatch. They'll also have less paperwork and reduce the need to phone in service information less. Plus, they will only have to enter invoices, reports, and other service call information once. As soon as the field worker enters the data into the handheld, it is transmitted in real time into a company's backend system

In one application, a Datalogic Mobile customer illustrated how automation can be used to meet new government requirements for the food industry. By automating a field process and using a Datalogic rugged mobile computer, real savings were attained. Automation gained \$8,000 per technician and increased efficiency to allow four technicians to do the work of five. This saved \$32,000 annually, based on industry standard wages. It used to take technicians about two hours a day to pick up and file paperwork. Because the data is now collected and transmitted using mobile computers, workers use the time they saved to complete more stops and decrease the amount of fuel they were using. Andy Deering, vice president of sales and support for Service Pro, says that with savings like that, rugged mobile handheld computers pay for themselves in about five months.

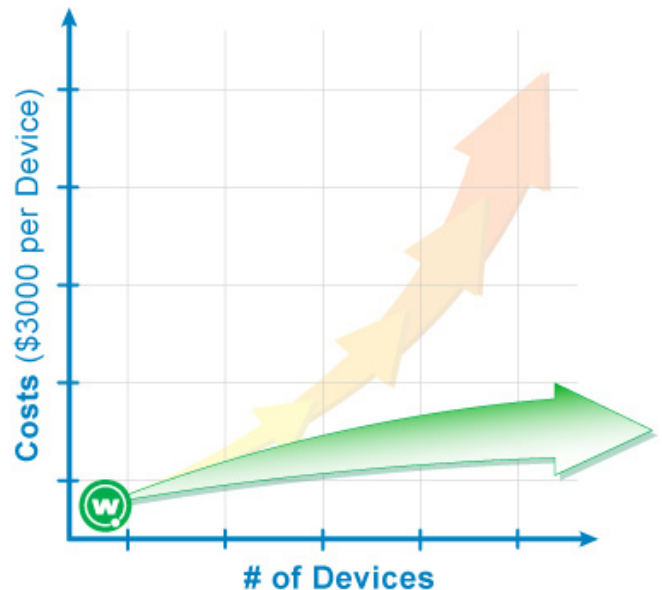
Warranties can also affect total cost of ownership. Non-rugged devices carry consumer warranties that last 30 to 90 days. Also, extended warranties might not be offered or tailored to enterprise purchases. Repair or replacement can take weeks or longer. The reduction in downtime is critical to an enterprise and recommends the use of maintenance service agreements (MSA) as a means to reduce TCO. Datalogic Mobile is a leader in MSA implementation, taking into consideration the needs of the enterprise and offering multiple levels of MSA. One offering, the Quick Replacement Plan, maintains preconfigured spare mobile computers at a Datalogic facility. This safety stock provide almost instant replacement. A field failure can be replaced the following day with a new unit shipped overnight to the enterprise. This is just one example of how an MSA can reduce downtime and keep TCO at a minimum.

Device Management

Seventy-six percent of all costs related to rugged mobile handheld computers are management costs. As mentioned earlier, 68.4% of people base their decision on the implementation costs of the hardware and software. After realizing that most costs are associated with management costs, organizations need to look deeper into the TCO of mobile devices. There are device management tools that can decrease the amount of time IT support staff spend diagnosing failures or formatting hardware.

Device Management Software (DMS) cuts organizations' costs by reducing the burden on IT resources and eliminating labor-intensive management of mobile equipment. Datalogic Mobile provides device management tools free of charge on each of their rugged mobile computers. Datalogic bundles Avalanche device management tools from Wavelink Corporation, the de facto industry leader in remote device management.

With Avalanche DMS, users can manage hundreds of rugged mobile computers from a single PC. Management can also use it for device configuration, device monitoring, software distribution, firmware updates, licensing



management, security management and operating system upgrades. Without Avalanche DMS, managing mobile devices is a one-at-a-time process. Avalanche DMS automates the process allowing managers to control or monitor multiple remote mobile easily.

Users maximize the implementation of Avalanche DMS tool with WWAN communications. This allows the DMS can manage devices while they are away from the facility. As long as the devices are connected to the network, they can be updated. This capability minimizes the amount of time that devices are connected to the network and reduces costs.

With DMS, IT managers can schedule remote device updates instead of bringing in each one to be manually updated. Updates can be scheduled day or night any day of the week. Management can also access devices remotely and troubleshoot for any problems. This reduces the amount of downtime drivers have if a device is acting up. And if a device is lost or stolen, DMS tools can automatically lock down the units, prevent any information from being stolen, or completely purge all data on the device. This implementation assures that mobile devices do not compromise enterprise data or network security.

Comparison Case Study

A comparative case study was performed between a waste management company that used 1,400 rugged mobile computers and a field service provider that used 100 nonrugged devices⁶. The five-year study recorded all of the hard and soft costs involved. For the waste management company with the rugged mobile computers, the annual TCO was \$2,746. The nonrugged units for the field service provider had an annual TCO of \$4,693. The difference in TCO was attributed to the high degree of failure of non-ruggedized devices being used in a demanding environment. The total soft cost for the rugged units was \$1,100, compared to \$3,282 for nonrugged units.

Hard costs can be very deceiving. Organizations believe they are making a solid investment when they have a lower initial device cost. Unfortunately they're not seeing the results they expected and they don't understand where they are losing money. Soft costs add the most to the TCO of mobile devices and need to be allocated properly to make a true IT investment.

Conclusion

When considering mobile field automation, companies must decide whether to use a consumer-grade handheld or a ruggedized mobile computer. They must consider the environment these devices are going to be in. Organizations should not only consider the purchase cost of these units but also the following:

Performance: Mobile handheld computers will outperform and outlast consumer-grade products in rugged environments. Organizations using rugged devices are seeing greater ROI than those using consumer grade-devices in these environments. In just two years, rugged mobile computers provide a TCO advantage over consumer-grade devices. This ROI augments other gains that organizations achieve when using automated systems.

Hard and soft costs: Companies must account for both soft and hard costs when making buying decisions. The hard costs of such an application only make up 25 percent of the TCO of mobile devices. Soft costs make up the other 75 percent. The more maintenance, replacement, downtime, loss of productivity, software loading, and training a device requires, the heavier the impact it has on their TCO.

⁶ Venture Development Corporation (VDC)

About Supply Chain Services

Supply Chain Services is a full service provider of barcode systems and data collection solutions. The company specializes in designing and implementing rugged mobile computer, barcode scanner, barcode printer, and wireless network infrastructures to support supply chain processes within warehousing, manufacturing, and distribution organizations. Supply Chain Services is located in Stillwater, Minnesota and has over 2000 customers across North America.

For more information, visit www.supplychainservices.com.

About Datalogic Mobile Inc.

Datalogic Mobile is a global manufacturer of mobility solutions for retail applications, assisted shopping, warehouse solutions, and field-force automation.

Our diverse product range of rugged mobile computers includes pocket-sized computers, pistol grip mobile computers, and industrial PDAs designed to keep workers connected to their enterprise inside or outside the four walls. Our mobile computers use Cisco® Certified CCX radios for maximum levels of: RF security, data throughput, and efficiency. Datalogic Mobile computers use the latest technologies for voice and data communications giving mobile workers on-the-go connectivity.



Datalogic Mobile has a complete line of rugged mobile computers for retail, warehouse and field force applications.

Datalogic Mobile is the worldwide leader in Assisted Shopping. Over 350 retail stores have implemented Datalogic Shopevolution™ software and the Datalogic Joya™ handheld pod as their assisted shopping solution. Datalogic assisted shopping gives retailers a competitive advantage while reducing their operational costs. Joya makes shopping a multimedia experience that increases consumer loyalty. Datalogic Mobile has worldwide presence in over 30 countries and over 800 business partners worldwide. A leader in technology, Datalogic has a growing portfolio of over 850 patents, eight research and development centers, and 300 engineers.

See us on the web at www.mobile.datalogic.com or call 800-929-7899