

**NUCLEUS
RESEARCH**

CASE STUDY E110
September 2004

ROI ANALYSIS YOU CAN TRUST™

ROI Case Study: Ultimate Software UltiPro Ruth's Chris Steak House

THE BOTTOM LINE

With Ultimate Software's UltiPro Workforce Management solution, Ruth's Chris Steak House has been able to reduce payroll-processing costs while increasing the depth of the data it collects on its human resources operations.

ROI: 112%

Payback: 11 months

THE COMPANY

Ruth's Chris Steak House, Inc., headquartered in New Orleans, is the largest upscale steak house company in the world, with 89 fine-dining restaurants worldwide. Founded in 1965 by Ruth Fertel, Ruth's Chris specializes in aged, corn-fed USDA Prime beef served sizzling hot.

THE CHALLENGE

Ruth's Chris operates 33 restaurants in the United States. Prior to deploying UltiPro, the human resources system in its New Orleans headquarters managed all employee records and benefits information. Payroll was handled individually at the restaurant locations using ADP's outsourced services for payroll processing. With no integration between its payroll and human resources systems, it was a time-consuming process to consolidate data in the corporate accounting system. Payroll was administered by the individual restaurant managers, who were responsible for preparing and transferring data to the local ADP service bureau for payroll check runs. This system did not provide headquarters with the level of oversight necessary to ensure that payroll amounts were accurate.

In addition to Ruth's Chris operational challenges, the costs of outsourcing its payroll processing were increasing. Services were charged on a per employee basis with additional charges incurred for any emergency payroll runs. Further, approximately 15 to 20 percent of the payrolls had to be redone on an ongoing basis, and correcting these errors also generated a charge from the service bureau. Benefits administration was a challenge as well, as Ruth's Chris had five different systems, which created data redundancy and maintenance issues.

THE STRATEGY

In the spring of 2001, Ruth's Chris began its human resources system consolidation by installing a TMx system, a time management solution specialized for restaurants, to manage its employees' time and attendance information and shift scheduling. Then the company evaluated human resource management and payroll systems from ADP, Lawson Software, and Ultimate

Software. The decision to purchase UltiPro Workforce Management from Ultimate Software was based on the following key factors:

- The product had strong, comprehensive technical abilities.
- The way UltiPro handled hourly employees who receive tips was aligned with the company’s needs.
- Ultimate Software’s corporate philosophy and customer support capabilities appealed to the management at Ruth’s Chris.

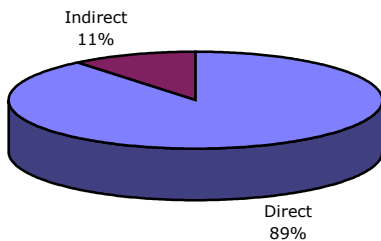
In August 2001, a project team consisting of representatives from the company’s human resources, IT, payroll, and operations staff worked with two consultants from Ultimate Software to install and configure the system. Ruth’s Chris human resources director, vice president of operations, and payroll directors attended training sessions explaining how to use UltiPro and the Cognos reporting functionality associated with the product. The implementation was completed in December 2001, and the company ran its first payroll with UltiPro on January 1, 2002 — in accordance with the deployment schedule that Ruth’s Chris had decided upon during the project-planning phase.

KEY BENEFIT AREAS

Using Ultimate Software to centralize its payroll operations has delivered the following key benefits to Ruth’s Chris:

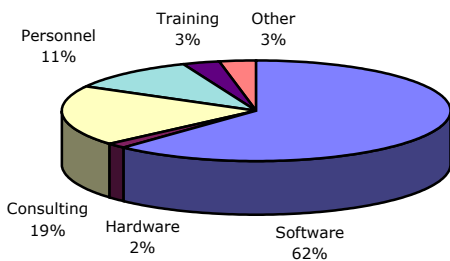
- Reduced payroll processing costs. Bringing payroll in-house has enabled Ruth’s Chris to save an average of \$220,000 in annual service bureau fees over the past three years. The company is also saving on equipment and printing costs with its paperless payroll system. When payroll was processed at the individual restaurant locations, managers spent four hours a week on payroll administration tasks like exporting pay data from the time and attendance system and routing it to ADP. Now they can use that saved time to focus on other value-added management tasks.
- Increased employee productivity. Having a central database storing both benefit and payroll information has resulted in productivity gains for the human resources and payroll staff. When payroll was outsourced, data had to be manually entered into the company’s human resource system, a task that consumed two days of work a week for two employees. With the new ability to directly export data into the general ledger system, the controller does not devote four hours a month to consolidate data. Moving to the centralized system has also improved the productivity of the IT staff, which no longer has to maintain the PC-based payroll systems formerly used to support the ADP service in the restaurant locations.
- Improved reporting capabilities. Creating consolidated monthly reports for the executive staff used to take 24 hours in preparation time, and involved marrying multiple reports within an Excel spreadsheet. UltiPro’s reporting capabilities now enable this statement to be created in 10 minutes while providing greater detail.

BENEFITS



3-YEAR TOTAL: \$1.6M

COSTS



3-YEAR TOTAL: \$582,740

KEY COST AREAS

Key costs included software, consulting, personnel, training, and hardware. Software costs for UltiPro licenses, maintenance, and the license cost for a Microsoft SQL Server database made up the largest cost category, accounting for 62 percent of total project costs. Consulting costs for implementing the system consumed 13 percent of the project budget. Internal personnel time spent on the deployment totaled 11 percent, while the value of employee time spent in training sessions was 3 percent. Hardware costs for two new file servers came in at 2 percent, and the company also incurred some travel costs during the deployment.

LESSONS LEARNED

The UltiPro installation was one of the most successful IT projects Ruth's Chris has experienced. In hindsight, the only improvement to the deployment process could have been to focus more on building custom reports upfront and to use consultants to create customized Cognos interfaces. These steps would have provided the company with some key strategic reports right after deployment.

CALCULATING THE ROI

Nucleus calculated the costs of software, hardware, consulting, personnel, training, and other investments over a 3-year period to quantify the company's total investment in UltiPro.

Direct benefits calculated included reductions in service bureau fees and payroll processing time, and savings related to eliminating equipment and printing charges with the installation of the new paperless payroll system. Indirect benefits including improved reporting and increased productivity of employees were calculated based on the average fully loaded cost of employees. Time savings were multiplied by a productivity correction factor to account for the inefficient transfer of time from time saved to additional time worked.

Corporate Headquarters

Nucleus Research Incorporated
36 Washington Street
Wellesley, MA 02481
United States
+1 781 416 2900

Europe, Middle East, and Africa

Nucleus Research EMEA
17A rue Pavée
75004 Paris
France
+33 1 42 77 75 38

SUMMARY

Project:	Ultimate Software
Annual return on investment (ROI)	122%
Payback period (years)	0.85
Net present value (NPV)	399,554
Average yearly cost of ownership	180,747

ANNUAL BENEFITS	Pre-start	Year 1	Year 2	Year 3
Direct	0	478,040	499,040	520,040
Indirect	0	80,972	80,972	80,972
Total Benefits Per Period	0	559,012	580,012	601,012

DEPRECIATED ASSETS	Pre-start	Year 1	Year 2	Year 3
Software	0	0	0	0
Hardware	0	0	0	0
Total Per Period	0	0	0	0

DEPRECIATION SCHEDULE	Pre-start	Year 1	Year 2	Year 3
Software	0	0	0	0
Hardware	0	0	0	0
Total Per Period	0	0	0	0

EXPENSED COSTS	Pre-start	Year 1	Year 2	Year 3
Software	271,500	30,000	30,000	30,000
Hardware	9,500	0	0	0
Consulting	112,500	0	0	0
Personnel	22,700	0	0	0
Training	19,040	0	0	0
Other	17,000	0	0	0
Total Per Period	452,240	30,000	30,000	30,000

FINANCIAL ANALYSIS	Results	Year 1	Year 2	Year 3
Net cash flow before taxes		529,012	550,012	571,012
Net cash flow after taxes		264,506	275,006	285,506
Annual ROI - direct and indirect benefits				122%
Annual ROI - direct benefits only				104%
Net present value (NPV)				399,554
Payback (years)	0.85			
Average annual cost of ownership		482,240	256,120	180,747
3-year cumulative ROI	177%			
3-year IRR	106%			

FINANCIAL ASSUMPTIONS

All government taxes	50%
Discount rate	15%

All calculations are based on Nucleus Research's independent analysis of the expected costs and benefits associated with the application profiled in the accompanying case. Financial modeling tool, format, and methodology copyright Nucleus Research Inc., all rights reserved.