

LOCUS TECHNOLOGIES SHIFTS TOWARDS SUPPORT FOR CLIENTS' STRATEGIC NEEDS

Long a provider of environmental, health, and safety (EHS) software to support clients' compliance needs, **Locus Technologies** (San Francisco, CA) has undertaken a shift in focus over the last year towards supporting clients' more strategic goals and exploring the ways EHS data analysis can contribute to achieving those goals, according to President and CEO Neno Duplan. This shift is more refinement than realignment, he suggests, as the company's EHS platform, which Duplan refers to as an environmental enterprise resource planning (EERP) tool, is sufficiently broad to serve multiple corporate purposes.

"We expanded our unique software platform for application across the spectrum of environmental reporting and management activities and integration with the corporate ERP systems via the cloud," he tells EBJ. "This platform serves as a framework for end-to-end energy and environmental sustainability management, which we believe, in the long term, will become a major pillar in strategic resource management for all companies—not just industries that have been classified traditionally as having an environmental impact."

The Locus offering combines a vertical application package called Environmental Information Management (EIM) with ePortal, a web-based platform "that can run various environmental applications through a single sign-on," says Duplan. The ePortal platform "leverages service-oriented architecture, mashups, and vertical searches and stores and organizes all of the customer's environmental, energy, water, sustainability, and compliance data and information, both structured and un-structured."

Locus increased its revenue to more than \$6 million in 2011, an annual growth rate of more than 20%, according to Duplan. The company, which employs over 50 people, expects double-digit growth to continue this year. "We believe that Locus is the fastest-growing company with the biggest backlog in this segment," says Duplan.

The company continues to win engagements of significant scale. In 2011, Locus received what Duplan calls the largest cloud-based environmental software award to date—a contract from Los Alamos National Laboratory (LANL) in New Mexico to manage the lab's environmental data in the Locus cloud, as Duplan puts it. Under the contract, which has a potential value of \$2 million to Locus if all options are exercised, LANL will use Locus's EIM software to manage the data associated with legacy site contamination, chemical and radioactive, throughout the 37-square-mile facility.

In addition to the U.S. Department of Energy (DOE), other large organizations using Locus software include ExxonMobil, Chevron, Honeywell, Exelon, and Kodak. Total future value for Locus's existing customers' contracts for environmental information management over the next five years is more than \$100 million, according to Duplan.

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Regulatory compliance remains a strong driver for purchases of Locus's software, along with clients' desire to reduce resource consumption and operating costs, he continues. In addition, the requirements of the Sarbanes Oxley Act make balance-sheet control on the "environmental liability line" a pressing issue, he adds. A fourth driver is branding and image: "Companies cannot afford to have unmanaged incidents, like the Fukushima nuclear disaster or the BP spill," Duplan notes.

"In the future, I think the market drivers will remain the same, with more focus on cost reductions associated with resource consumption reduction," he predicts. "For example, there is no regulatory driver for energy or water management in corporations, yet every smart company is planning to do so or is already doing it. It benefits the bottom line and is a good business practice."

Locus sells directly to customers, offering support through an in-house combination of what Duplan calls "world-class" software developers—"the kind you can only find in Silicon Valley"—and domain experts in fields such as geology, chemistry, physics, nuclear engineering, and water-quality chemistry. He claims unparalleled domain expertise compared with other EHS software providers and superior software development expertise compared with the environmental consultancies that are still offering a product in the market. "We are in the 'sweet spot,'" he observes confidently.

Commenting further on the competitive field, Duplan notes that large IT players are rapidly moving into the EHS software market, with various results. "High-end, all-encompassing extensions of ERP systems, such as [those provided by] SAP or Oracle, can scale to support the needs of hundreds or thousands of users, but environmental managers refuse to use them because they are complex and require costly additional

programming to manage environmental data. Such enterprise systems are often characterized as being ‘a mile wide and inch deep’ because they typically lack domain depth, are not offered over the web, are expensive and difficult to install and integrate, cannot be used by suppliers, and are not particularly user-friendly.”

EXPENSIVE ONE-OFFS

Consulting and engineering firms and management consulting firms are also trying to grab a piece of the market, he adds, “but they lack the necessary software skills to make a serious offering and are typically limited to one-off solutions. While project-level managers, staff engineers, or compliance managers and staff geologists love the stand-alone systems developed by engineering or management consultants, these systems do not enable division managers, or corporate executives to perform corporate governance, data-mining, or forecasting tasks, or share information across a large organization or the web. In the long term, those one-off applications may be costlier than those from ERP system providers because they extend the status quo in perpetuity and ultimately cost clients more money as consultants’ systems are sold through a billable-hour model.”

By being a “platform” play rather than an “application” play, Locus has been largely immune to major market shifts, Duplan goes on to say. If each stage in the evolution of the industry from 2005 onward were to be characterized in a single word, he thinks that sequence would be “compliance” followed by “carbon,” “energy,” and then “sustainability.”

“I think the next key word will be ‘water,’ because water is the key resource problem for mankind and will come to define everything else in the sustainability conversation. That is the reason Locus has focused its resources disproportionately on water and water-quality management.”

Duplan sees managing growth and staying focused as Locus’s two biggest challenges. “This space is very broad—no single company will dominate it—but companies that stay focused

on domains they know best and deliver the best-in-class integrated applications will thrive as the industry evolves. And that is what Locus intends to continue doing. Our business model has been tested in the marketplace over the last 15 years. Without outside funding, we built the leading company in the space and are successfully competing with an array of companies, from large ERP vendors to meteoric, come-and-go startups.” □