

### INNOVATION, WHAT DOES IT MEAN TO ANALYTIC SYSTEMS CUSTOMERS

January 14, 2013. Innovation has been the buzz word around manufacturing for the past several years, but what does it really mean. If you had 10 people sitting in a boardroom you may get 10 different answers. In the public view most people think about the “big win” of a **New Product Innovation**, like the Apple iPhone. However there are really 8 styles of innovation and the more a company can add to its roster will undoubtedly make it stand out in its field.

Not every manufacturer can produce the next iPhone, which is the first style of innovation; however they can add styles of innovation into their way of doing business, as Analytic Systems has done:

1. **Application Innovation** refers to taking one product and moving it into another application. At Analytic Systems this has been a trademark of our growth. As everyone needs power in one way or another, we have developed agile products that can be adapted / modified to various markets and a variety of environmental conditions. Our unique selling proposition is that we can do this for one unit or 1,001 units which most of our competitors are unwilling to do.
2. **Product Innovation** refers to upgrading a product for better performance, or to take advantage of new components or technologies. Analytic Systems has over the past five years been actively upgrading a variety of its standard products and will continue to do so. For example we have added two larger IPS inverters based on this best-selling line of our inverters (the IPS1500 and IPS2000). In the next year we will continue by adding an IPS3000 and possibly an IPS4000. We have also upgraded a number of our standard battery chargers to be able to decrease their cost.
3. **Process Innovation** is the behind the scenes way of doing business. Analytic Systems has recently purchased Aegis Manufacturing Operations Software which is designed to improve efficiencies and quality by streamlining and controlling process planning and launch, process tracking and control, and quality and test management. It will increase flexibility and traceability. This has gone hand in hand with our upgraded quality certification to first ISO9001-2008 and then to AS9100.
4. **Experiential Innovation**, this has to do with improving the experience of dealing with Analytic Systems. We are in the process of bar coding all our products once Aegis is put in place, this will help our customers handle our product more easily. We are also working on re-packaging our products, especially our new line of products to provide a more “retail” appearance. In addition to that we have upgraded our packaging material system to ensure all our products arrive in pristine condition.
5. **Marketing & Sales Innovation** refers to Analytic Systems sales strategy for each of our target markets, to best satisfy their needs and get product to them as quickly and efficiently as possible, at the least cost. We have introduced a multi-media strategy that will allow us to meet the needs of our users and assist companies with power issues, find power solutions through the correct Analytic Systems product or modified product.
6. **Business Model Innovation**. In the 1990's Analytic Systems focused on rugged, high performance power conversion products for mainly the commercial marine market. After our first major orders for the US military we realized we had the opportunity to take from that production experience and move into the military products market in a larger way. From that first military power supply for the US Army Field Kitchens, Modern Burner unit (10,000+ units sold with less than 0.1% return/repair rate) we have developed a complete mil-spec military program that has allowed us to grow into many new markets within the military. While doing so we have turned those lessons around to assist us in creating new products for our other markets as well.

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7. **Structural Innovation.** Analytic Systems knew that to improve quality and add efficiency we needed to take more control of the whole manufacturing process. Our purchase of Metal Action Machining Ltd allowed us to be more flexible in our extruded chassis production process; in fact without Metal Action we would not have won the largest contact in our history for the power supply for the Shadow UAS.

As we say in our Mission/Vision/Value statement, all these innovation styles are designed to provide our customers with a unique and improved product/experience and provide a basis for continuous improvement and better quality solutions to their meet their needs.