

Do You Need New Software?



Presented to
The Western Association of
Fastener Distributors

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I'm Bill Muehlbauer

I'd like to thank the WAFD board for inviting me to speak this afternoon

I've been in the software industry for over 30 years, specializing in software for distribution companies since 1991. I actually started in manufacturing, moved to small business, and then to distribution.

The goal of this presentation is to provide you some guidance regarding how to determine if it is time to change software and how to go about the process. We cannot go into much detail in 30 minutes, but hopefully we'll be able to discuss some ideas that will help you with your decision.

We'll have time for discussion at the end, but feel free to interrupt me at any point if you'd like to ask a question



Outline

- How do you know?
- Key things to look for
- What is really important?
- The process
- Minimize the risks
- Getting started



How do You Know?

- Right Reasons
 - Software vendor out of business
 - Vendor no longer improving the software
 - Duplicate handling of documents
 - Tracking business information outside the system
 - Too many steps
 - Customer requests you cannot meet
 - New business opportunities

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3

You're pretty exposed if your vendor is out of business (literally or essentially) – losing market share, key people leaving

No longer adding new capabilities to the software at the same rate as traditionally – or not adding the types of capabilities your company could use

Duplicate handling and tracking business information outside the system involve work-a-rounds, keeping logs in spreadsheets, copying data from reports into spreadsheets for reporting, graphing, or tracking, department managers tracking order progress, return process, and deduction status.

Too many steps – if you have to enter information in more than one place or part of the information in one operation and part in another operation – this might have worked ok when your company was small, but this is a huge opportunity for errors as a company grows – for example:

- Kitting – separate steps to receive finished items and relieve components from inventory
- Separate processes for shipping confirmation, customer label generation, and packing list print
- Segregating orders in a container before you can receive the inventory

Some customers are going to make unreasonable demands, but when requests for information or reporting, electronic business relationship, labeling, special pricing, etc. from multiple customers becomes burdensome it's time to look at your software situation

When your business changes direction or you want to add new services or products your existing software can't handle (bin stocking, traceable parts, rebate programs, extra cost services)



How do You Know?

- Wrong Reasons
 - Computer needs to be replaced
 - Too many errors, returns, or customer complaints
 - You haven't kept up with software upgrades

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4

\$10,000 for a new computer or \$200,000 for new software?

Errors, returns, and complaints usually have more to do with work processes and training than with software. New software may make processes easier, but new software could build bigger snowballs faster if procedural issues aren't addressed

Look at the capabilities available with your current software before dismissing it – taking advantage of unused capabilities could extend software life for a year or two, provide the savings to fund the new software project, and time to get ready



Key Things to Look For

- Customers like you
- Profitable vendor
- Keeps up with technology
- A product vision
- Meets your top five needs

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5

Software vendors focus on market segments just like fastener distributors do
– OEM, construction, aerospace, retail,...

You want a solid, profitable partner. This is a key relationship that you want to last for a while.

A lot of distributors don't want to be pushed into new technology, but if your software partner isn't forward looking that could force you to change software again before you should have to.

You want a partner that can clearly explain where they are going with their product and how that matches up with the future needs of your business – not somebody that says “we put features in the product that our customers want” – putting in features that customers want is fine, but those features need to fit within a framework to be effective or the software will come out like a disjointed bunch of programs and not a system

- Think back to the slide on too many steps and duplicate handling
- They understand your business needs

Finally, meets your needs – more later



What is Really Important?

- Software is holding you back, double handling, working outside the system
- Requirements for new business opportunities or customer requests
- Automation supported by growth
- Top five things you like about your existing software

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6

We talked earlier about where your software is holding your company back, not helping you provide the information and services your customers want, changing business climate, and new business opportunities

Automation

•for example; when you were small it was best for a single, knowledgeable person to handle a business function like purchasing. As you grow and the number of items increases more advanced forecasting and purchasing tools could provide significant value.

- A person cannot effectively manage 5,000 items in inventory much less 50,000 without significant help.
- Inventory grows
- Stock-outs are more common
- Expediting becomes a mainstream activity (maybe even a job title)
- More advanced tools also make you less dependent on individual talent and more consistent across multiple people.

-This is also very true in the warehouse. As you grow it is harder and harder to provide the same level of customer service you did when you were small. (dedicating people to customers, double checking, and sales people put notes on pick lists are examples of extra steps and duplicate processes)

-Tracking in-transit inventory, sales management, customer returns, and QC are more areas where growth may push you beyond the capabilities of your current software



The Process

- Learn about available software
- Top three requirements for each business function
- Top five requirements for the company
- Use business scenarios
- Visit customers like you

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7

Take advantage of sessions like this, the Fastener Shows, private vendor meetings and demonstrations, literature, search the web, and talk to other distributors to learn about software capabilities available

Talk with your people about all of the issues covered on earlier slides and the capabilities you discovered in your software search

- Have each department head put together a list of the top three new capabilities that could provide value, the dollar value to the company (savings or growth), the cost to implement and staffing implications
- Each department head should also put together a list of existing capabilities of significant value that you don't want to lose

You're not going to get everything, so prioritize all requirements into a top five list for the company. Publishing a 200 page RFQ is not necessary, but writing down your requirements so it is clear to your team and the vendors can understand what you're looking for helps everybody.

Write up business scenarios that explain the business need behind a software requirement (handling requirements for specific types of orders, purchasing engineered products, pricing, rebate programs, QC, etc.)

- The hardest part of this is to explain to the software vendor the business requirements without specifying how you want the process to work
- You have to let the software vendor show you how the software meets the need. Then you can evaluate if you like the approach
- Good software salesmen are just vague enough that the customer can deduce that the software meets their needs

Site visits are very important. You're not doing these just to find out dirt on the vendor. You do them as much to learn about what not to do and how to



Risks

- It will shut you down
- Waste a lot of money
- Drag on forever
- Give your competitors an opportunity
- Burn out key people

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8

The top reason for the failure of a software implementation project is lack of owner commitment

These projects require dedicated leadership and a plan – one of the best people in the company

These projects require adequate staffing, testing, and training. They are not the types of projects that can be done successfully in spare time. Get help if you don't have adequate staff time available.

No other projects should be going on at the same time. Opening a new branch, ISO certification, moving, whatever. These projects are a huge distraction, so be focused and get it over with! The longer the project drags on the longer it is a distraction and keeps you from moving the company forward.

An unsuccessful (or poor) software implementation can give your competitors a significant opportunity



How Do You Get Started?

- Investigate, evaluate, and determine the benefits and payback
- Commit the energy to make the project a success

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9

A software project should be treated just like any other investment, the difficulty is that it can be really hard to determine whether a specific software product is going to work for you and the benefits don't automatically appear; it takes a lot of work to get all the benefits out of implementing new software

The benefits that come with more advanced software aren't free!

- There are usually more controls and discipline required – hopefully the software can help
- Computer software does not make decisions in a vacuum, if you want more out you usually have to put more in.
 - Forecasting example
 - RMA processing

There is a rule in software development - \$1 to fix a problem during design, \$10 to fix during programming, \$100, to fix during testing, \$1000 to fix after release – The same rule applies to software projects – if you put the time in up front to plan, document, train, and test you'll reap the benefits later.



Questions?

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10



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January 23, 2006

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11