



## The Focus is on Value

*SMBs Actually Reap More Value from Technology Enablement*

*In the past, major technology upgrades were viewed as a highly expensive and disruptive exercise. Long implementation times and painful change management were major obstacles. Many firms hesitated, unsure of the gains from technology and wondering if it would be worth it. As a result, many manufacturers and wholesalers joined the ranks of the so-called late adopters.*

*Tech providers have removed many of those obstacles with a new generation of enterprise solutions. Companies can now focus on their business and gain that promised value without the technology burdens. Even small businesses can enhance their performance and not be left out in this connected, Omni-channel world.*

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## The New Business Model for the SMB

Over 95% of businesses in the US are classified as small. Small businesses differ a great deal, though, from family-run local dry cleaners to international freight forwarders or wholesalers with a headquarters’ staff of merely ten and salespeople scattered around the world, connected by the most up-to-date technology.

### Operational Challenges

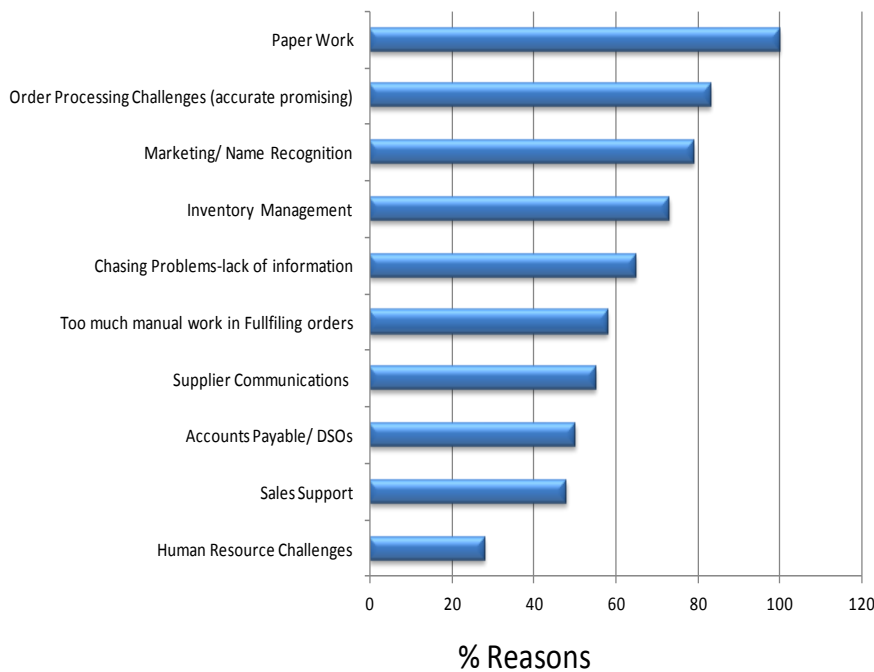


Figure 1—Operational Challenges

Culling though the data, wholesale distributors top the charts in terms of small to midsize businesses.<sup>1</sup> And interestingly, they have a lower rate of business failure than other small business sectors. Yet many of them never achieve their potential considering the markets they are in and the expertise that they have. Why is this so? Many are mired in day-to-day operational challenges (Figure 1) and can’t poke their head up long enough to find new business opportunities and reach new customers.

Because of these challenges, *somewhat* successful businesses are barely profitable. Or they

are profitable on paper, but cash flow is strained. Many live for decades in this state. Opportunities are there, but they just can’t seem to reach their potential.

Owning your own business is the American dream. And today, whether you are just starting a business or injecting some new energy into your business, many of the operational challenges mentioned in Figure 1 can be tackled. “Thanks to a variety of factors, including lower startup costs and technological advances, many of the world’s most taxing problems are being tackled by some of the youngest entrepreneurs,” stated *Inc. Magazine* in a recent article. That statement is true for startups or mature businesses.

In the last article, *Modernization of the Midsize Business*, we discussed how changes in technology make adoption easier—and less expensive. But even if the IT burdens are removed, a business still has to have a justification for making change.

<sup>1</sup> Sources: US government census data

## Introspection: Overcoming the Data Challenge

Businesses with short product lifecycles or major seasonal changes are deeply burdened with data management and the subsequent paper chase. In the last few years, the rate of new product introductions has accelerated in consumer products, apparel, and footwear. Many consumer product companies also continue to make massive numbers of alterations to existing products in color, packaging, size, and so on. A simple example here can illustrate the enormity of the data management challenge: A small wholesaler of socks can have anywhere from hundreds to tens of thousands of data updates per season! One wholesaler mentioned 1500 size/color combinations per product per season. Carrying about 30 products means 45,000 products to enter each season. Seasonal blue jean selections, which several wholesalers and retailers carry, mean 1,052 SKU permutations (size, cut, length, fabric) just for women. Sporting apparel distributors see major shifts each season from the skinny tees and sweat wicking shorts to below-zero, water repellant down parkers and snow pants.

There are also style, color, size, pack size, unit cost, pack cost, special channel promotional pricing, and order size discounts to add to each product. And of course, depending on the customer and the communication method used, identifying codes such as style numbers, UPC, GTIN, *the customer SKUs*, and multiple vendor part numbers all have to be managed. And as if this weren't enough, in order to integrate the processes within the enterprise or with trading partners, other product data are needed such as size/weight, dimensions for logistics, and micro-merchandising/display applications, as well as graphics to support catalogues and websites.

That is a lot of data—and a lot of errors—when managed with spreadsheets and paper. Spreadsheets cannot be shared, are error prone, and cannot support a formal and high performance business. Yet many seem addicted to them.

Information for sales is critical, too. Keeping track as salespeople make special deals, inventory moves, and so on is essential to customer service and maintaining profit margins. Managers should ask themselves: Do we honestly have the time to keep it all up to date manually? Do we have supplier ship dates at the ready so sales can make accurate promises to customers? And when items are shipped, is there a timely and accurate count of the completed orders or backorders so that accurate invoicing happens and we can keep the business infused with cash?

### Manual Costs Money

What does this all cost in terms of lost hours, productivity, frustration, and cash?

- How much manual paperwork is the business still buried in: the 'checking and re-checking,' retyping, researching orders, re-creating audit trails on agreements, changes in orders, shipments, or payments?
- How many late, missing, or less-than-perfect orders are shipped?
- Every day, how many product changes—price changes from suppliers, new product entries in your catalog, discontinued products, products that just didn't ship from suppliers—does the staff struggle with?

- How many orders are in 'suspense' because they are missing needed credit approvals?  
How many delayed customer shipments due to some kind of administrative hold-up?
- How many orders are back-ordered due to poor planning and inventory management?

These are everyday challenges that hold a company back from growth: *Struggling with operations means no time for sales.*

The manual spreadsheet or even the QuickBooks world just doesn't support the speed and accuracy required to run a business today. In addition, there are only a few solutions out there that address these specific kinds of challenges. Oh there are plenty of small business ERPs, but many were modeled for low volume or more static product companies. Day to day, users require new interfaces and new methods.

## Benefits: Not That Ugly Ole ERP

In *Modernizing the Midsize Business*, it is pointed out that different approaches to the delivery architecture can make a huge difference in the ongoing value of the technology investment *and* in the ability to even achieve that value. Many thoughtful companies know there are benefits to technology; however, it just is *such* a huge hurdle to get the new systems in place, get people trained, and establish reliable foundational data in the system. Ironically, it seems that ole ERP adds costs and people to get the job done; that is, things get worse before they get better.

However, a well-designed system provides a broader view when looking at the benefits. We look at benefit metrics in several ways—time to benefit, total cost of ownership (TCO), and ROI. Time to benefit is critical since there may be a pot of gold somewhere, but it may take too long and cost too much to get there. TCO is important since in a match between two systems that can both provide good benefits, one will deliver those benefits with less cost to the business.

*ROI*—Return on Investment and Return on Assets (ROA) are, of course, significant. Getting a handle on paperwork has direct benefits to working capital: accurate orders, invoices, and dealing with things like chargebacks (or eliminating them) can return days or weeks of cash to a business. If the data is in the system (rather than on spreadsheets), inventory can be managed and orders can be forecasted allowing for reduced inventory and increased turns.

*TCO*—Today, TCO should not just be looked at as an IT cost reduction, but increase in productivity (the number of workers required to do the job). For example, if it took 10 people two weeks to do seasonal product changeovers and updates, and now it takes five people just two days to do it—that's measurable. Or as many businesses told us during our research on small business ERP implementations, they grew two- to ten-fold with minimal (or no) staff increases. That is measurable, too!

*Time to Benefit*—Time to benefit and TCO, though measureable, also have experiential benefits that maybe a little hard to measure, but make the users' work easier. Having easy to use, well-organized

data (*entered only once*), productivity tools for data entry, better search, and ready reporting makes the system *useable*. Employees *use the system*, allowing the organization to have a rich source of *reference data, reporting, and accurate transaction management*, instead of turning to spreadsheets. Often, when software selection is done these issues are not fully examined. But if you want your team—your employees—to fully adopt a system, these things are critical.

## Don't Be Left Behind

There are many major shifts in how we do business today in wholesale/retail. For manufacturing businesses, Omni-channel presents exciting new opportunities to reach more customers and establish national—or international—brand recognition. But failing to execute in this social world can just as easily ruin a brand. Now is not the time to ignore these important changes in your market.

For wholesalers today, Omni-channel represents different challenges. Wholesalers are used to multiple modes of sales and fulfillment—from trade shows and direct sales to online, drop ship from suppliers, as well as their own or third-party warehouse models. **However**, manufacturers are rethinking many of their strategies to capture more business and assert their brand identity in the market. Their reliance on the wholesaler (middleman) is not guaranteed. We asked manufacturers what their strategies for growth were and their responses were varied. Noteworthy, as shown in Figure 2, is that many of them are engaged in business on their own websites and are doing more direct sales.

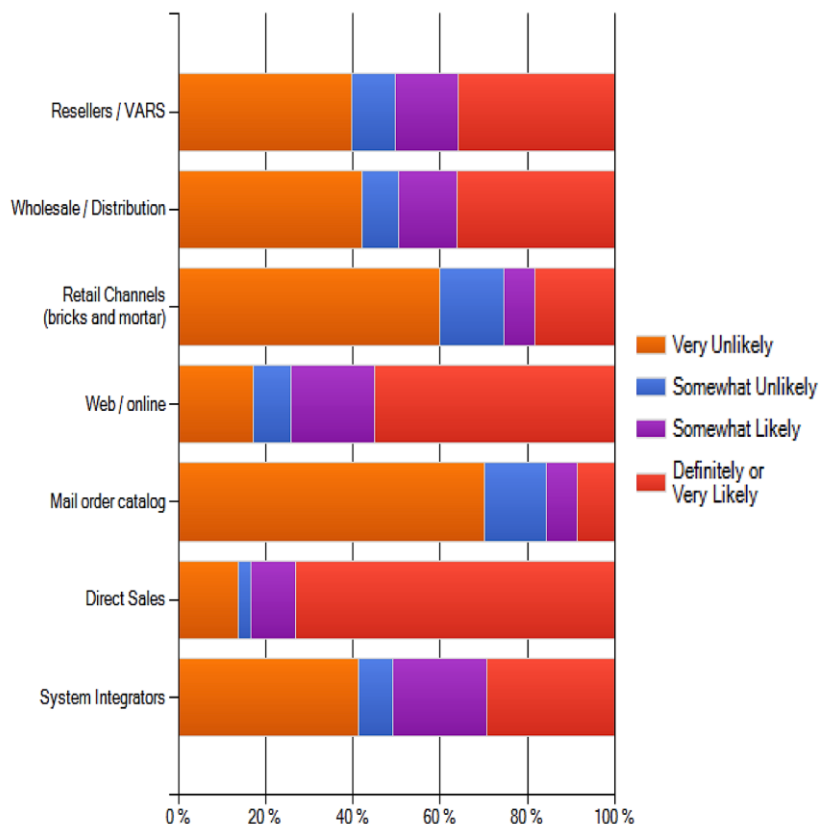


Figure 2—Channel Strategy for Growth

This radical change in the marketplace should be of great concern to wholesalers. Yes you *had* your expertise in the market. You *knew* the suppliers in China and how to source. You *had* relationships with major retailers and so on. But how much additional time or cost did that introduce into the process? And will manufacturers and retailers tolerate that extra time or even a sliver of cost if they can cut it out of the supply chain?

Wholesalers may find that the squeeze can come from both sides: suppliers *and* retailers. How secure *is* that relationship with the big retailer as they implement more global web and trade solutions?

Wholesalers have to demonstrate strategic and tangible value to their suppliers and the brands they represent. They have to demonstrate that they are superior in execution and can bring those additional sales to suppliers, and services to retailers in order to maintain and grow their position in the marketplace.

## Conclusion

Smaller companies often have the benefits of team intimacy and a *notion* of collective understanding of the business. However, as companies grow it is easy for the organization to get out of sync. Most importantly, customer service goals start to slip just when things seem to be going so well. In fact, *everyone* in the organization needs to understand the business in order to do their job better and contribute more effectively to the whole. A core management technology that provides a single version of the truth, therefore, is the essential key for many to attain the goals of controlling costs and increasing growth.

That single version of the truth is hard to come by and won't be achieved with spreads sheets and a *little* QuickBooks. A core management system, one that has a single version of customer orders, pricing, products and financials, has to be the foundation to achieve this state. Otherwise, data issues are always a distraction and a source of customer dissatisfaction rather than information supporting growth and stellar execution. An enterprise core database centralizes critical processes and information so that everyone is on the same—accurate—page. In addition this foundation allows for planning and building various scenarios to prepare for a variety of business situations.

Of serious concern for business management is the trends in your market, such as Omni-channel. Omni-channel requires inventory visibility for available-to-promise and the ability to sell across all channels—in person, on the web, at a trade show. And without getting those products entered into the portfolio, in the first place, you can't sell them. Even a three day improvement in product data entry can be reflected in more rapid and increased sales.

Closer to home are your main competitors. If they are doing a better job integrating to channels and customers, they sell, deliver and invoice faster—all more accurately. This execution ability is reflected in reduced day's sales outstanding. They have the working capital advantage.

For the small business owner—for any business owner—the *focus is on value*—increasing brand, revenue and profit. Enterprise technology has demonstrated its contribution to that value proposition. And isn't that what we are in business to achieve?



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