

## **Getting a Return on Your Technology Investment**

**By Scott Stratman, President  
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Technology, technology, technology – it always seems to be the answer today for most business applications. The push in the last two decades has been to implement a technological application to every aspect of our lives. Take the cell phone boom for example. Can you recall how nice it was to sit in a restaurant and enjoy your meal without the wild array of cell phone ring tones and multiple conversations that include “can you hear me”? However, just because we spent the money on the technology, it does not mean that it will work to solve the problem we intended. Have you ever lost a cell phone call at the critical point in the conversation? Distributors need to also be cautious when purchasing technology for their business needs. Over the years, we have made it a point to review various software packages, hardware platforms and unique technologies in an attempt to help guide distributors through the myriad of options. Often we are saddened at seeing a distributor sold a technology that looks good in the demo, but does not help them create bottom line profits. In other scenarios, we see good technology being applied wrong, not being applied at all, or completely misunderstood. In many environments, the technology is being used only slightly, and not to the fullest extent. There are many reasons for this happening, but nonetheless it is sad to see it time and time again.

Distributors focus a great deal of their efforts on selling and marketing product and services. They also spend a great deal of energy trying to manage their assets, the biggest one being their inventory. They don't have the time, and often the “know how” to properly evaluate the effectiveness of various technology offerings. Since the front end of their business is “sales driven” they often look at products that help the inside and outside sales people become more productive. There are many offering out there to help the sales side of the house. However, those systems designed with a heavy emphasis on sales usually have an inherent weakness – they are not strong at asset management.

This often creates the following scenario: distributor pays 100% for a multi-tasking software package and ends up implementing and using about 30% to 40% of the software. They are frustrated because while it did a great job to help the sales side of the house, the inventory side is suffering. It is tough to figure out what to buy and when to buy it. It is tough to know with a high degree of accuracy what is actually on the shelf and what is coming in. The sales side of the house is pushing and asking for more and more product. The controller is telling purchasing to back off on spending because the cash flow is slowing to a trickle. The reports seem to indicate that things are not that bad, but many of the reports the system kicks out are sales analysis reports. Go figure, one side of the house looks great while the other side can't get a report that means anything.

Therefore, I would challenge all distributors to do some investigation of their technology to see if they can use their technology to do some of these simple blocking and tackling type activities without going outside the major operational software package:

- 1) Can you easily input data into the system from the sales side of your business to track sales by product, by sales person, by region, by territory, by manufacturer, by product line, etc.? More importantly, how can you extract or report the data you've input to use in a constructive and proactive manner? Can you quickly identify the gross margin and net profit dollars on every line of every order?
- 2) Look at a typical customer order processing flow through your company from start to finish, and determine how many times the processing of those orders, reporting on their status, or replenishment of the inventory sold is done outside of the main operational software package?
- 3) How are the reporting systems that came standard with your software being used today? Do you find yourself frequently calling your technology partners to ask them to customer design features, functions and reports in order for you to use the system to manage your business?
- 4) What are you spending (or have spent so far) on the custom software pieces or third party software and hardware to make your operational package work for you? What are you spending in terms of internal information technology personnel, outside programmers, license fees and support to maintain all these additional complimentary pieces to your main operational software?
- 5) Are you using the report writing features to make small changes to data extract and analysis reports? Do you know how to use the report writing features?
- 6) Are the people in purchasing and inventory management functions able to take the entire inventory and break each product down to its smallest denominator (unit, lead time, price and cost)? Can they easily roll up from the smallest denominator to larger purchasing quantities and do smart buying decisions?
- 7) Can you use the main operational system to analyze your inventory, purchasing and replenishment functions such that you are spending the least amount of cash on inventory and maximizing your turnover and fill rates? Does your system help you manage your cash with regards to inventory and warehouse operations?
- 8) How often are you downloading data into some spreadsheet to do simple reporting, data mining or analysis?
- 9) How often do people have to re-enter data and information into a separate system just to give you some reporting that makes sense?
- 10) How often do you hear people telling you "this software stinks", "we can't do this because of the software package we have", or "who decided to buy this stuff anyway, as they should have been shot?"

Oh the list of questions could fill an entire book, and in some cases, books have been written on just these types of questions. If you want a detailed listing of features, functions and reports that should be part of a good system we can help. If you go through the questions outlined above and answer them without cheating, you might find that you are investing a great deal more than you originally thought in your chosen technology.

How is it that too many distributors are getting a 30-40% return on their technology investment? Well, it often comes down to a lack of understanding of how the system was designed to work. The solution is making the investment up front to get your “power users” and critical path users of the systems to understand how the system was designed to function. Yes, we are asking you to make a further investment of time and money, but we can pretty much guarantee that this investment will yield higher returns. Some of the training investments are very accessible in terms of annual user conferences and regional user conferences. Some can be obtained by joining small local groups of like businesses, other users of the products you use or technology oriented groups. Much of the training is available in technical and operational classes taught by the developers of the products or their network of affiliates. Last but not least, if you bought a good software package, there are always those manuals sitting on the shelf collecting dust. You will be amazed what you might find if you actually crack the binding on those books or go to the online HELP menus!

Then add in all the peripheral technology options available in today’s high tech world. How about bar coding systems, RFID, EDI, warehouse automation and management systems, shipping software, scheduling software, data mining software, Executive Business Information Systems, data warehousing features, report writers up the wazoo, hand held this and hand held that, sales analysis software and high tech phones. These should all be able to work with your operational software in a seamless manner, such that you are spending your time and energy getting useful managerial information from them, instead of trying to figure out how you can work around them after you bought them.

Finally, take a close look at all the hardware and software investments you’ve made in the last 3-5 years, and just ask how those dollars are being used today? Are people designing external systems and reports and functions completely outside of the main operational system just to do their job? Are people continually swamping your internal Information Technology department with requests for this and that, eventually requiring you to add more IT professionals just to keep up? Remember that all these technologies are designed to help you run your business more efficiently than when you used pads and pencils. They are intended to give you useful and powerful information at your finger tips, and make prudent cash management decisions. They allow you to process more orders, more information and make better informed decisions faster than ever before. If you do not make the additional investment in training, you will be a slave to your technology limitations. You will make decisions based on what your technology will allow you to do.

So before you take the sharp end of the letter opener to your main artery, take a hard look at all the technology investments you’ve made so far and try to learn about the inherent return on your investment sitting in front of you. Work up an action plan and time table to make this already existing function or that inherent feature work for you. Many times you will find that the magic tools you have been looking for, you already own, but just have not understood how to turn them on or how to run them. Sometimes it is better to get outside help on those issues where you are not as well versed, and let you spend your time on running your distribution operation, where you are the PRO!

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