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An Epicor case study

DO IT RIGHT OR DON'T DO IT AT ALL

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Situation: I.T. Xchange specializes in the resale of new, discontinued, and refurbished personal computers and associated options from market leading manufacturers such as IBM, Compaq & HP. I.T. Xchange has 74,000 square feet of distribution and office space in Canada, U.S., U.K. and Barbados.

The company was founded by Jeff McFarlane in May 1996 and has rapidly grown to a staff of 75 with revenues of approximately \$40 million. I.T. Xchange enables organizations to maintain existing and approved technology that is no longer available from the resellers or the manufacturers.

End-of-line to end-of-lease equipment is purchased by I.T. Xchange, tested, refurbished if necessary, and distributed to their international network of customers including wholesalers, value-added retailers, corporate end-users and educational institutions.

In 1999, I.T. Xchange recognized that their existing DOS systems were not going to allow them to grow as planned to a \$100 million company in five to seven years.

Several different systems cobbled together were utilized to meet their financial, distribution, and contact management/customer relationship system needs. Their vision also included an integrated e-commerce system.

After a thorough evaluation without using outside consultants, I.T. Xchange selected Epicor in December 1999. According to Michelle Micuda, chief operating officer, the Epicor system best met their needs and could provide an integrated solution across the I.T. Xchange organization in terms of departments and locations.

Epicor is one of the leading providers of accounting and ERP solutions to mid-market companies

around the world.

Their systems include financial, distribution, manufacturing, customer relationship management, e-commerce and professional service automation.

One of the differences between Epicor and its competitors is that Epicor purchased one of the customer relationship management systems called Clientele about five years ago, and have tightly integrated it with their other applications.

Objectives: The objectives for the new system included integration of financial, distribution and customer relationship management, with the future ability for e-commerce.

They also required on-line and real-time access by the remote locations. I.T. Xchange wanted to improve business processes to increase on-time delivery, speed up monthly reporting, improve inventory control and eliminate redundant data entry.

Solution: I.T. Xchange spent approximately \$150,000 to purchase the Epicor software for about 30 simultaneous users initially.

Another \$125,000 was required to implement and customize the system. Through Citrix, I.T. Xchange is able to provide its employees with good performance from any remote location with high-speed communications such as T1, DSL or cable from home. The application and the database are kept centrally on file servers in their Oakville office.

I.T. Xchange's system includes a warehouse management that uses radio frequency (RF) handhelds to update inventory for processes that include receiving and picking. I.T. Xchange decided to take as much responsibility for the implementation as possible. Epicor consultants were used to develop a project

plan, train the trainers, build the conversion routines from the existing systems, and to develop custom programs.

I.T. Xchange allocated two employees full-time for six months to set up the system, convert the data from the old systems, test the system, write detailed procedure documents with I.T. Xchange specific information, and train the other staff.

Challenges: The conversion process was difficult because of the need to convert from multiple systems. The I.T. Xchange desire to have company specific procedural training documentation also took longer to write than expected.

A couple of large customizations were required. One customization allows I.T. Xchange to assemble and disassemble computer components.

When disassembling, the price of the component can be entered on the fly. Another customization involved changing the pricing algorithm to meet I.T. Xchange requirements. About \$100,000 of the \$125,000 implementation fee included customizations. Customizations, as most people find out the hard way, can cost more than anticipated and take longer than expected.

The biggest problem is not defining the customization unambiguously, which leads to different interpretations on what is delivered. Secondly, someone has to be very careful about managing changes in scope.

Any change in scope should be subject to written specifications that are also clear and unambiguous, quoted by the developer and then approved. I.T. Xchange is not the first or last company to run into cost overruns on their custom development work.

Now, custom specifications are done by I.T. Xchange and handed

off to Epicor programmers. Before Epicor consultants would do the specifications and act as middleman between I.T. Xchange and the programmers, I.T. Xchange could not do this in the beginning as they were unfamiliar with the Epicor system and database.

Another problem also related to the customizations is the cost of redoing the customizations when there is an upgrade. I.T. Xchange has only gone through one update so far, which took about two months and cost \$80,000 to convert to the new system.

I.T. Xchange is hoping that some of the customizations will soon appear in the core system. They won't get royalties, but the cost of the conversion will hopefully be less expensive.

E-commerce is about to be implemented. It has taken about eight months since this phase of the implementation started. The reason for the delay is that I.T. Xchange wanted their eCommerce system to automatically calculate freight by their shipper, based on the distribution centre, the ship-to location and the size of the shipment.

I.T. Xchange has carefully evaluated the options for calculating freight and has selected a third-party program to be integrated with Epicor.

There were also a few customizations to extend the multi-currency of the Epicor system such that anyone logging onto the I.T. Xchange site could place an order in Canadian, U.S., U.K. or Euro currency with their credit card.

Rather than implement eCommerce sooner, Michelle Micuda's attitude is "Do it right or not at all."

E-commerce should be a significant benefit to I.T. Xchange as existing customers are able to place their order or make order enquiries on-line thus freeing up I.T. Xchange staff.

It should also open up new sales as new markets open up. So far, small organizations or individual consumers have not been I.T.

Xchange customers. Soon I.T. Xchange's products will be potentially available to anyone looking for a good deal in computer equipment, which could be another challenge as well as an opportunity.

Results: I.T. Xchange has achieved its objectives with the Epicor implementation. It used to take one-and-a-half to two days to close inventory for month-end reporting purposes.

It now takes an hour. The time savings means that staff can ship product over the one-and-a-half to two days rather than update an inventory system.

Before Epicor, inventory shrinkage was about 3 per cent and is now close to zero. On-time shipping has improved from 72 per cent to 99 per cent. I.T. Xchange used to count inventory semi-annually, a process that took three days and 40 people.

Now it only needs to be done once a year. An integrated customer relationship management system has saved about one hour per day for salesmen, which has led to increased sales.

Conclusion: The careful reader will have noticed hardly any mention of financial requirements or issues. I.T. Xchange thought that their financial needs would be handled by just about any of the products available.

Another conclusion is that problems do occur in any implementation. It's what is done about these problems that count. I.T. Xchange is now often used as a reference for Epicor prospects. Finally, in the words of Michelle Micuda, "do it right or not at all."

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