Things to Consider When Purchasing a New System

By Ernie Schell

Selecting a new order management and fulfilment system is a major challenge, but if you understand what you need to do and how to do it, you can simplify the process and make an informed selection that will sustain the future growth of your business for many years to come.

Overview

There are eight basic steps in selecting a new system:

1. Defining your goals and objectives
2. Assessing your current systems resources
3. Determining functional needs and requirements
4. Preparing an 'Invitation to Tender'
5. Identifying systems options and candidates
6. Evaluating proposals and vendors
7. Finalising the selection
8. Implementing the new system
9. Testing and training for the new system

There are two over-arching issues that will shape the project from beginning to end: budget and timeframe. We will address the cost of this project at several points along the way, but the time and scheduling issue needs to be tackled at the outset.

In very general terms, you should allow one or two months for Steps 1 – 5, two months for Step 6 (evaluations), a month or two for finalisation, three to six months for implementation, and one or two months for testing and training. That's a total of 8 to 14 months. It can be accomplished more quickly, without compromising the results, but that requires a very dedicated effort on your part as well as for the software vendor, and is not typical.

Thus, if you have a business with a strong fourth quarter, you can start planning in January or February for a new system, with a project plan that will have you going live on the new platform by the end of the summer. That should be a slow time for the business, allowing for the best possible transition to the new system.

Smaller Companies

In smaller companies the process can often go much more quickly. This is often due to the smaller team involved in decision making and faster growth which forces decisions and ability to identify efficiencies and capitalise on automation often available with the replacement system. In smaller companies it is usually the proprietor who makes all the decisions but it is still very desirable to involve others in the process to ensure a smooth transition to a new system.

A Team Effort

Selecting and Implementing any new enterprise system is a team effort. Be sure to include everyone in the company in the selection process.

A small team of three or four people (your 'Change Team') can get everything done, but you should have a 'kick-off' meeting with the entire company at the outset to let everyone know that you will be implementing a new order management, fulfilment, and possibly e-commerce system in the near future, and that you not only welcome their input but will be working closely with everyone to determine systems needs and requirements.

You should be prepared for some resistance. Some people in the company who are comfortable with the current solution, or who fear the unknown and any process of change, will not welcome change, no matter how well-managed it is managed. They may even have lived through such a transition at another company and feel that it was counterproductive, with the new system being ‘worse’ than the one it replaced. While that can happen, such a result is more likely when a small and unrepresentative group of people bring in a new system without enough participation from the company at large. So reassure them that in this company, that’s not going to happen. This will be an inclusive effort, and their input is welcome.

In some cases you may be concerned by the lack of PC and IT skills in certain areas of the business.. The ease of use of the systems and the training needed to overcome lack of skills should be borne in mind as should a change to current practices to take advantage of the automation provided by the replacement system.

Defining Goals/Objectives + Needs/Requirements

The very first step in the process of acquiring a new system is to articulate the overall goals and objectives you want to achieve, determine a realistic budget, and agree on a timeframe for the project. Your Change Team should come up with goals that are general enough so that there are only a half dozen or so, such as ‘improve our ability to manage marketing campaigns, offers, and promotions,’ or ‘achieve better integration among channels,’ or ‘accommodate higher order volume (to a specified threshold),’ or ‘quicker/easier access to customer history,’ or ‘better support for direct dispatch,’ or ‘better integration with third-party e-commerce portals and shopping sites,’ or ‘implementing Mobile Commerce,’ or ‘better manage Social Media and Customer Communications.’ Keep these as high-level as possible, but address everything that needs improvement.

Assessing Current Systems Resources

You need to take stock of the major systems in place that you use to run the enterprise (desktop applications for word processing and accounting can be excluded). This is more than just producing an inventory of systems in place or in use. You should list the date the system was acquired, the original cost, on-going support fees, current version number, projected update schedule, and annual cost of managing the system (primarily cost of staff time for interacting with the vendor, managing the database, troubleshooting support issues, etc.).

You also need to include the cost of hardware on which the systems run and the maintenance and upgrading of this hardware and the associated operating systems. In larger organisations, this can be a very significant amount of money -- so significant, in fact, that acquiring a new system that runs on much less expensive 'generic' servers can more than pay for the new solutions! But even in smaller organisations, the cost of maintaining legacy hardware can mount over time, and should not be ignored.

For systems developed in-house, try to include all development costs as well as on-going maintenance and support costs. This, too, can be a very large portion of your annual IT budget. Companies develop their own solutions (or have a third-party create a bespoke solution) for various reasons, many of which prove to have mostly short-term benefits and then encounter diminishing returns.

When you have tallied all your systems and associated costs, you are in a position to come up with a budget for the new system(s) you are looking to acquire. You will know not only what IT costs will be directly 'replaced' by the new system, but have the ability as well to identify other possible cost savings.

If you have a very simple set-up and a 'starter' system you have outgrown (or are still doing a lot manually or on an accounting system), you don't need to spend too much time on taking stock. JUST GET GOING ON YOUR SEARCH!

In addition to 'cost-swapping,' you may have an investment budget, with the expectation of achieving a return on that investment. If you hope to lower your cost-per-order by twenty percent for instance, you can do the math to see how much that amounts to over three to five years (a reasonable life-expectancy for a new system). Some systems will be useful even longer than that, but the three-to-five year time frame for ROI is a reasonable benchmark.

You also need to take stock of your IT resources and preferences. Are you comfortable with using a system hosted remotely, or a Software-as-a-Service solution (which may involve pay-as-you-go fees)? What about revenue sharing with an e-commerce vendor? Do you have preferences for the databases and programming languages used by a new system? Are they willing and able to learn new skills, platforms, and technologies, or would you prefer to stay on a baseline of tried-and-true options?

There may be no hard-and-fast answers to those questions at the outset, but addressing them now will be important in guiding your systems search. It may turn out that part of the cost of a new system will be investing in either additional IT staff or on-the-job training of existing staff members (or both!) You should be aware of these costs and their impact on the project budget.

Defining Needs and Requirements

'Defining Needs and Requirements' offers an excellent opportunity to get company-wide buy-in. After your short initial 'kick-off' meeting to introduce the Team to a large number of employees, you should hold several much longer meetings to get input from all departments on what they identify as the shortcomings in the current system and what features and functions they would like in a new one. If there are fewer than a dozen employees in the entire company, you can hold a day-long meeting to get input from everyone at the same time.

If you are replacing (or adding) only a portion of your enterprise solution(s), such as e-commerce or warehouse management, don't exclude input from the other departments. There really isn't any system that doesn't interact in some way with other key systems. You want to make sure that the new one(s) (1) takes full advantage of the data and functionality in the systems that will remain, and (2) will not have any adverse impact on the 'legacy' applications (such as an accounting package) they will interact with.

The process of defining the features and functions you would like in a new system can be daunting. In addition to everyone's "wish list" of things they want a new system to do, the Change Team can do research online on features and functions available in the types of systems you are looking to acquire. These can then be offered for discussion. It may also prove helpful to involve an outside consultant at this stage to help identify which functions will be most useful in achieving your objectives.

Keep in mind that this is not a process to define “the ultimate system.” The goal is to determine a “baseline” of business methods the system needs to support to achieve your overall goals and objectives.

Examples of issues you will want to address:

Marketing Opportunities

a. Integrated website(s)
b. Functionality of website
c. Managing multiple brands
d. Managing multiple channels
e. Campaign and Promotion management tools
f. Mobile commerce options
g. Database marketing/Customer Segmentation
h. EPOS
i. B2B functionality
j. International operations
k. Customer service tools
    i. Notes
    ii. Prompts

l. Warehouse & Stock control

   i. Operational efficiencies

   ii. Barcoding

   iii. Integrations with external systems

      - Accounting packages

      - Carriers

      - Price tracking, data feeds, etc.

m. Integration with Amazon, Google Base, eBay etc.

n. Data management and reporting

   i. Standard reports

   ii. Report tools

   iii. Ad hoc reports

   iv. Access to data tables etc…

Preparing an 'Invitation to Tender'

The Invitation to Tender, or ITT, will be sent to the vendors who are candidates for providing the solution(s) you are looking to acquire. It will include a profile of your company and its operations, a summary of your systems in place, information about your timeframe for implementation, a discussion of your needs and requirements, and a request for key information about the software vendor and the installed base of their system(s).

The Needs and Requirements section will be produced based on the work done by the Change Team to identify what you want the new system to do. The most common mistakes in writing this section of the document are over-specifying and under-specifying. The over-specifiers handle this as if it were a specification for a bespoke system that will be developed from scratch. This is obviously counter-productive, since the ITT is being sent to companies that have already developed a solution that they believe is fully functional.

The under-specifiers rely on long lists of 'bullet points' that are vague descriptions of system features and functions that really don't address your real needs in enough detail to be helpful to a vendor in replying to the ITT.

The 'just-right' approach to this involves: (1) including only the features and functions that are truly important to have in the new system, (2) leaving out functions that are common to all systems, and (3) describing the functions you want in enough detail so that the vendors can say what parts of them they can support and which parts they cannot.

For instance, in handling returns, if you want support for Return Material Authorisation forms (RMAs), indicate how these are to be produced (in hard copy or digitally, and if the latter, in a browser window or some other format), what data they need to include, how many reasons for return need to be supported (or if you want user-definable reasons), and how you want to track the RMAs you receive and how and when tracking numbers will be assigned.

Ask the vendors to indicate what part of each requirement they can support, what they can customise to meet your requirements, and what they cannot support – and what the costs will be for making any modifications.

If your needs are simple—for instance, if this will be your first proper fully-integrated system—don't think you need to list dozens of requirements. You may not be aware of all the types of system functions available and will understandably be hoping the system vendors will show you what can be done. But it is a rare business that doesn't have at least a few specific business rules or methods that they want a system to support. So think carefully about what these are for <u>your</u> business, and make them the 'heart' of the ITT.

And give the system vendors three to four weeks to reply to the document.

Identifying systems options and candidates

It is difficult to generalise about systems options, other than point out that some vendors have ‘bundled’ approaches that include a wide variety of modules for supporting a multichannel marketing business, while others have major components or pieces of the puzzle but not the whole puzzle.

You may also be in the market for specialised applications (typically for things like content management or email management) that are only available from a small group of system vendors who serve the multichannel marketplace. Some systems may be able to satisfy a wide spectrum of your requirements and even include processes you are not planning to change at present. E-commerce design and build, mobile ecommerce and international trade are all areas where specialist systems may be required or may be part of the portfolio of options offered by some of your potential system suppliers. Remember, it is almost impossible for a small company to predict the next “big thing” but if major trends are important to you try to look at systems that have reacted to the current “big thing” even if it isn’t required at this time.

So be creative in your search. Start with publications like Direct Commerce magazine and some specialised e-commerce and retail magazines, whose buyers’ directories list vendors who serve their markets. And be broad-based in your search engine terms to find the broadest possible group of candidates for the system(s) you are looking to acquire.

What to look for in addition to the obvious (i.e., having the functionality you need):

- A good user base that includes companies similar to yours in size and scope
- A strong support team to handle implementation and on-going support. This can be a very critical factor in making sure your new system not only meets your needs but is used effectively on an on-going basis.

- Technology: is it state-of-the-art? Does the vendor issue upgrades on a reasonable schedule? How flexible is the technology platform? How configurable?

- On a related issue: How much does the vendor support development of new modules? Is there a team in place that pursues new development opportunities and/or works with the user base on this? How much can users themselves take advantage of the platform for their own development?

- Ease of use: is the system straightforward, with efficient methods, or do you have to plow through many screens to find the data you want and need? Can functions be customised by each merchant, or even by individual users within a company (Tom has one screen layout, Suzy has another)?

- Security: how secure is the system, what technologies are used to support the security, and can access be managed at the user and department level?

- Extensibility: to what degree can the system functions be expanded? Are the limits determined by the vendor or by each user?

Partners: does the vendor have technology partners with whom it works to support critical aspects of the system? Are these partners on target for you? This includes service providers for VAT management, credit card processing, manifesting, PAF or multinational address verification, and so on, as well as e-commerce utilities such as Wish List management.

Smaller Companies

Once again in smaller companies the process may be slightly different.

Firstly – Although you will have a clear idea of the major purpose for obtaining a new system you might be unaware of the range of services and options available,

Secondly – When comparing systems from function/tender lists it can seem that everyone ticks the same boxes with other detail concealed beneath a layer of impressive sounding acronyms and impenetrable "systems speak" that may or may not have relevance to your business

So you may find that in many cases the features that really matter are covered within smaller details that can only be teased out on seeing the system. Indeed, in many cases it can simply be the manner in which processes are executed by the system which can have a significant impact on performance, so be prepared to change your current processes and practices in order to take full advantage of what your new system can provide.

It is equally important to consider that some of the systems you might see may have processes and features that you had not previously considered for your business at all but could have a major impact on current or future expansion. You should try to retain an open mind for unexpected improvements and future improvements offered to you by some systems.

How many candidates should you identify? The ideal number is between five and ten, and there is no need to 'pad' this out just for the sake of having 'more choice.' In fact, if you identify three or four good candidates, that's ideal.

Evaluating Proposals and Vendors

When you receive the written proposals tendered by the software vendors, the Team should spend time evaluating how well each vendor can achieve the objectives and meet the needs you have identified. If you have built quantitative scoring tools into the ITT, you can some of this objectively, but a lot of the evaluation inevitably involves subjective judgments, particularly regarding how well the vendors appear to have understood your requirements and your situation.

Vendors who fail to submit a thorough or detailed document, and who also may be on the high side price-wise, can be safely eliminated at this early stage. Other vendors may have been meticulous in the material presented, and competitive on price, but may not have the same breadth or depth of functionality in their systems as their competitors, or may be suggesting more customisation than others. These, too, can be dropped from consideration.

If you can eliminate half the field of candidates at this stage, you are on the right track, which will leave you with three to five vendors for the next phase: Web demos and phone conversations. These can be allotted a half day per vendor, and will allow you to get a sense of the real 'look-and-feel' of each system, how easy the systems are to use, and how much of an improvement they will be over what you are currently using.

Just remember, at this stage, the vendors will be doing what many of them do best: demoing the strengths of their solutions. So keep your perspective. Your conversations should address things like system flexibility, support, and manageability. More serious conversations can be reserved for the next round.

You will want to winnow down the ranks from this phase so that only two or three finalists remain. These are the vendors you will ask to come on site to spend a day with your Team, not to 'sell' their systems (which happened in the previous round) but to discuss and review their proposals in detail. This will also help both you and the vendor to assess what really might need customisation, and what can actually be achieved by means of configuration, instead (which is obviously preferable).

Even though you will still be talking to the sales team, the on-site day will give you the chance to explore one of the most important aspects of vendor selection: how well the vendor can 'partner' with you going forward to help keep you ahead of the curve and meet your needs as they evolve.

The vendors who survive this phase (and it might be all of them) should provide you with contact information for users who are similar to you, whom you will want to call to talk about their experience with the system. Be sure to ask about how the vendor resolved problems that arose, and what those problems were. Also ask about what the reference users consider to be the biggest weaknesses of the system, as well as its strengths.

Finally, if you have the resources, you should do a financial analysis of the vendor, and assess how strong a company they have, such as experience of the management team, and what kind of organisation structure they use.

Each of the finalists should also submit a pro forma contract and Implementation Plan that you can evaluate. How realistic is the Implementation Plan? How detailed? How much does it ask of you as a company? Does it identify the team players from the vendor side? Is this a document you can have confidence in?

Once you make the final vendor selection, your negotiation of the contract will be the last step on the road to starting the final phases of system acquisition. The contract document is typically written with all the attention paid to the vendor; so you may want to insert language to balance that out. And you should insist that the vendor's response to the ITT be included as a legal addendum.

Implementing the new system

Just as you had a team for system selection, you will need a team to handle implementation, as well. This can be a much smaller group: two or three people is a good number.

Most of what is involved here is good project management, which consists of identifying all the necessary steps, assigning them to a timeline along with designations of responsibility for meeting the defined goals, executing the plan, and keeping everyone informed on a regular basis of the progress being made (and challenges identified and met). If you can put this on a company Intranet, so much the better. In a company with fewer than a dozen staff, a monthly memo should suffice.

In addition to configuring and modifying/customising the new system, this phase will also entail data conversion of customer files, stock files, and some key information from order records. These conversions need careful planning, testing, and review when completed. Spend a few hours 'eyeballing' the result from random samples, just to be sure you don't get 'garbage in,' because then all you'll get is 'garbage out.'

You will also need to write up several dozen (or more) business use case scenarios that you and the vendor can use to see how the system handles all aspects of what it is responsible for (such as order entry, customer service, stock management, fulfilment, returns management, procurement, customer database segmentation, etc.) from both a call centre and e-commerce/m-commerce perspective.

Testing and training for the new system

You're almost there!

Within a month or so of your scheduled "Go Live" date, you can begin to test the final system with the same test scenarios, and do 'regression' testing to determine how well the new systems are integrated with legacy applications. This is a painstaking process; don't neglect it or give it short-shrift, especially if you are keeping your accounting system. It's best to identify problems, issues, and glitches <u>now</u>, not after you have gone Live on the new system.

In parallel with the final testing you should undertake training of users and managers on the new system. This will probably take place at your facility, but may take place (in whole or in part) at the vendor's location. That can be beneficial if it ensures the undivided attention of those being trained.

You may be training only a one or two members of your own staff who will then train everyone else and new employees hired later. This 'training the trainers' approach is a very sound one, and is actually preferable, if it makes sense for your company.

A Final World

You should plan your Go Live for the early part of the week. That way you can have a few days of final practice on the new system, come in the next day and start using it for real with real customers, real stock, and real orders, and then have a couple of more days to firm up your confidence on the new platform before breaking for the weekend. It is also a good idea to organize a stock take to coincide so that the new system starts with correct and up-to-date stock figures rather than having to make adjustments during the first few weeks.

If you’ve done everything right, only a few lingering problems will pop up, and these should be easily resolved. You may also decide to keep your old system up and running for three or four weeks, not just as an ‘emergency fallback,’ but for reference purposes, since not all order data, for instance, may have been brought over. You will have come a long, long way to get this far. Time to congratulate yourselves on a job well done—and to start enjoying the benefits of the new platform you worked so hard to implement. Make sure everyone makes full use of the new resources they now have at their disposal. It would be a shame to waste them!

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