

The Case for Vertically Centric Business Systems

BY DAN PRITCHARD, CEO, ECOMMERCE INDUSTRIES, INC.



Cost is always a consideration for entrepreneurs trying to get a start-up off the ground or move their company to the next level. An entrepreneur starts a business with an idea, often placing the biggest bets of their life to turn that idea into reality.

As the entrepreneur works to create a new product or service, find customers, secure financing, and hire employees, they are also trying to make the most out of limited capital, cutting costs wherever possible. Technology can figure into every one of these activities, driving additional productivity and increasing the odds for success.

Considering All Options

Too many entrepreneurs don't realize the extent to which their initial technology choices will drive business practices and impact long-term profitability, especially when it comes to behind-the-scenes activities like accounting and business operations. The right software can be a significant competitive advantage, helping the entrepreneur cut operating costs, improve service levels, and generally outpace larger, more established competitors.

There are numerous accounting packages on the market, ranging from off-the-shelf solutions like QuickBooks to massive, complex systems such as Great Plains and SAP. A package like QuickBooks will adequately handle the basic

accounting needs of most entrepreneurs—up to a certain point. The same simplicity that makes entry-level software attractive to small companies can also often hamper operational efficiency and actually increase costs.

There is a tendency to develop business practices that match the software's operational flow (and work around its limitations) even if those practices are not the most efficient or economical. The impact may be small at first, but will increase as a business grows, eventually forcing a change to a more comprehensive software package.

Benefits of a Vertically Centric System

A true business system—vertically centric business management software specifically designed for a specific industry—may be a better solution for many entrepreneurs.

These systems typically offer more features, supplementing basic accounting tools with industry-specific functionality.

eCommerce Industries, Inc., for example, supplies business systems and related technology to a number of closely related verticals, including office products, office furniture, business machines, and janitorial and sanitary suppliers. These systems are designed to enhance the business processes of dealers and distributors in these industries. In addition to order entry, bookkeeping, inventory management, and other core functions, they offer industry-specific

features, such as furniture project management or service and dispatch for machine dealers.

Benefits of a vertically centric business system can include:

- **Industry-specific features.** A vertically centric business system will help an entrepreneur meet the challenges unique to their industry. For example, large advance deposits and third-party billing (selling product to one party but billing another) are two accounting issues that are not common in many industries, but are routine for contract furniture dealers. ECi offers two different software packages for this industry, and both include accounting modules designed to handle these types of transactions.

- **Operational efficiency.** Employees are the most valuable resource of most businesses, but also the most expensive. A vertically centric system will simplify or even automate internal processes, allowing a business to redirect employees to more profitable activities. ECi's business sys-

“Too many entrepreneurs don't realize the extent to which their initial technology choices will drive business practices and impact long-term profitability ...”

tem for industrial paper distributors tracks product sales and generates reports that distributors must provide to collect manufacturer rebates. These rebates can be a significant revenue stream, and the software saves several days of manual paperwork each month.

- **Data integration.** Among ECi customers, the same company often sells some combination of office products, office furniture, and business equipment. Frequently, these dealerships have replaced two or more disconnected software packages with a single ECi business system. Customer, product, and transaction data is always available to every area of their business, from order entry to accounting. No more time or money is lost managing multiple databases and software installations and dealing with the inevitable results of re-keying data, such as purchasing errors, higher-than-necessary return rates, and customer service issues.

- **Supply chain integration.** The value of Web-based e-commerce is widely understood. Customers become order entry clerks, reducing labor costs and data-entry errors. In the office products industry, keying errors resulted in an estimated return rate of over 10 percent. As Web-based catalogs became common, that rate dropped to one to two percent while customer satisfaction increased. If a compa-

ny's products can be sold (not just advertised or marketed) online, a Web storefront that is fully integrated with the business system is critical so that there is no re-keying or duplication of data involved in either putting product information online or accepting Web orders.

The benefits of e-commerce also apply to transactions with suppliers. Unlike generic accounting software, business systems frequently offer some type of communication with industry suppliers. The more tightly a company is integrated with key suppliers, the more efficient it becomes. ECi even implemented its own private network to connect its customers and their suppliers. This network enabled office products dealers to eliminate the dedicated modem lines that had connected them with their wholesalers in favor of faster, Internet-based purchasing. Dealers can also use the network to obtain wholesaler pricing and stock levels in real time for more efficient product sourcing.

Selecting a System with the Future in Mind

As with generic accounting software, business systems can range from entry-level packages for small companies to complex ERP solutions. Pricing varies widely by industry. Our company's most expensive system starts at \$24,000. In other industries, there are systems with starting prices of \$80,000 to \$100,000.

Oftentimes, the temptation for cash-strapped entrepreneurs is to settle for an entry-level business system today and convert to a more feature-rich solution later. Sometimes this is a necessary strategy, but it is important for the entrepreneur to understand its true cost. Not only are the immediate benefits a more complete system lost (efficiencies, cost-savings, etc.), but there are the added hard and soft costs of making the eventual switch.

While an entrepreneur's choice of software might not literally make or break their business, it can have a tremendous impact on profitability. To understand the functionality needed, a careful assessment of business practices, products, customers, and suppliers is key. Then the entrepreneur can look for business systems that are specific to their industry.

Finally, the entrepreneur must plan for the future growth of their company by buying the most comprehensive system they can reasonably afford. In the long run, this strategy enables the entrepreneur to recoup the investment in additional efficiencies and seamless connectivity with customers and suppliers.