



TECHNOLOGY Touted As Cure For ECONOMIC DISTRESS

VAI's 2008 User Conference helped customers deal with "products and services in oversupply."

>> By Jim Olsztynski

Senses become more acute in times of crisis. A surge of adrenaline perks people up and makes them more attentive to their surroundings. So it seemed at this year's annual VAI User Conference, held in Las Vegas Sept. 25-27.

Occurring amid a financial crisis and a wildly gyrating stock market as Congress and the Administration wrangled over a \$700 billion bailout package, VAI's 2008 Conference had 28 sessions explaining ways to use technology to leverage return on investment (ROI). The instruction resonated well with the VAI audience looking to deal with the harsh reality that, as one presenter put it, "In market after market, companies are wrestling with the fact that their products and services are simply in oversupply."

Economic consultant and business author (*New Ideas from Dead CEOs*) Todd Bucholz kicked off the event with a keynote address that focused on doing business in a "hyper-competitive world" in "an era of shockwaves of change." Change is a constant in a dynamic economy, he noted, but never before in history have we lived at a time when the Dow can move 400 points based on something Alan Greenspan said, which happened earlier this year. (A few days after he spoke, the Dow dropped a record 778 points after the U.S. House voted down the first attempt at bipartisan financial bailout legislation.)

A former economic policy advisor to President George H. Bush in the 1980s, Bucholz cast a ray of light on all the gloom by noting that

93.5% of American mortgages are not delinquent, and that the mortgage and housing crisis is largely localized in the states of California and Florida.

Another first-day speaker was consultant Andrew Hazen, who captivated the audience with insights about website design and search engine marketing — i.e., optimizing a company's ability to get Googled via links and keywords. VAI personnel conducted most of the remaining sessions, which detailed the bells and whistles of the company's new enterprise software system.

VAI founder and President Bob Vormittag kicked off the meeting with a review of new features contained in the company's latest S2K 5.0 update. Highlights include a revised menu structure and drill down, greater wireless and web capabilities, enhanced security, sales analysis and a multi-lingual warehouse management system, among other advances.

This reporter managed to corral Vormittag for an impromptu interview during a break in the conference. Here's what we discussed.

SUPPLY HOUSE TIMES: In your opening remarks, you emphasized several times that VAI is "customer-driven" when it comes to product development. Coincidentally, I just spoke with a distributor CFO who volunteered without prompting that he likes dealing with VAI because you folks are always asking what

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VAI President/founder Bob Vormittag.

they want and need in the way of advancing technology. So, what are your customers telling you right now?

BOB VORMITTAG: They look at technology as necessary to become more efficient and grow their business. But the key to it is the service component — they need to know you'll be there, need to know you're developing product, that they can partner with you, and need to know you have a long-term plan to leverage technology to take them where they want to be over the next several years.

What do distributors say is their biggest problem?

One of things we're working hard to accomplish with mid-size businesses that constitute our customer base is to focus on advanced applications — to automate their warehouses, purchasing processes, e-commerce, sales force, and marketing. These are advanced capabilities built into the S2K product line. Many are not currently using those features, so the challenge is to move our customers along and get them to the next level. Many of them are still thinking in terms of an older model, but in the world we live in today, it's critical that we continue to leverage technology for efficiencies and growth.

What are the biggest mistakes distributors typically make when it comes to utilizing technology?

Their number one mistake is in the evaluation process of software. It must be thorough, and commitments to the project and longer-term commitment to the technology must be very apparent. The power and value of technology is a work in progress. What we're doing here at this conference, as we do every year, is to continually inform our customers of the benefits of technology, and also its future direction. It's important for our customers to really make a commitment and understand technology as a primary driver to meet their objectives. In the old days, technology was designed more as a billing machine and for basic inventory control and accounting. This is no longer relevant.

One of the things VAI is doing is mobilizing the workforce via wireless and remote capabilities so users can have anytime, anywhere access to the enterprise system to manage inventories, service customers, plus automate the sales force. Many companies today think that's not necessary. I disagree. As competitors provide these kinds of services, companies that don't will lose momentum. An embrace of these technologies is going to be very important for the future.

In which sector of the distribution business does technology have the most impact?

I think that would be with inventory, which is the largest asset for a distributor or manufacturer. Two areas to focus on would be purchasing automation — the goal being better product mix, just-in-time inventory, maximizing fill rates

and maximizing inventory turns to be most cost-effective — coupled with warehouse automation. We have learned that when customers implement both of these systems, ROI is dramatic. If a distributor were going to focus on one area, this would be the biggest value in terms of reducing costs and improving delivery to their customers.

Consolidation has run rampant in the PHCP sector of the distribution industry. What do the national chains do differently in managing technology than the smaller independent wholesalers?

I think the systems are very compatible, what's different are the companies. Larger companies have more budget dollars and more structure in place to utilize technology, while the small to mid-size companies are just evolving those skills. But I think they all have the same challenges and goals.

Automating purchasing is more typical of the larger company. Automating the warehouse also is probably more commonplace with a larger enterprise company, as well as automating the sales force. This makes it important for the mid-size company to adjust its technology capabilities and enact just-in-time inventory and cost-effective operations to keep pace with the competition. And it's our job to deliver competitively priced solutions with real and measurable ROI benefits.

Mid-size businesses need to focus on advanced applications.

In our industry, e-commerce has been slow to fulfill its promise. It's taking place to some degree between the manufacturer-distributor stage of the supply chain, but most distributor customers are small contractors not attuned to technology. Is there a solution to this dilemma?

It depends on the end user skill set and technology orientation. Many of our clients have customers who may not be computer savvy, but there are many different components to e-commerce. An end user may not be apt to enter orders over the web with a shopping cart application, but that customer may at least want to have some sort of electronic help desk to ask where an order is, what inventory is available, account status and so on. Those are the kinds of things that can be deployed.

In addition, our new Portal component of S2K does more than b-to-b and b-to-c. It also automates the vendor procurement process, and makes more prime access available to both the sales force and the entire employee population. So there are many other ways to fulfill that e-commerce capability. In the final analysis, we'll find ways to launch e-commerce solutions to a majority of the end users. This will be key because of real-time customer service and just-in-time inventory demands, which are needed to be successful.

One of our clients, Sid Harvey, is an HVAC distributor that services many small customers. Nonetheless, they have implemented e-commerce capabilities at all 75 locations around the country. It has worked well in those operations.

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Sid Harvey has leveraged our technology to the max.

What's Sid Harvey doing that other distributors aren't?

Sid Harvey has leveraged our technology to the max, from the standpoint of inventory, warehousing, e-commerce, customer service, special pricing and communicating electronically to customers. They've really taken the time to personalize the system to give their customers what they want and to provide the highest level of customer service. Sid Harvey's technology focus is very progressive and has been utilized very effectively throughout the enterprise.

It's hard to keep track of all the mergers and acquisitions that have occurred among enterprise software companies in the distribution field. VAI is one of the few holdouts in remaining independent. Have you ever been tempted to consider any of the buyout offers you no doubt constantly receive?

No. I have a son working for us as project director, and a daughter as CFO, who have both been with us for 13 years since joining the company

after college. We also have many other key employees who've been with us 20-25 years. In fact, over 50% of our employees have been with us at least 10 years.

This kind of employee team creates great strength from the perspective of providing customer support. Understanding the technology and the software takes place over time, and that tenure becomes critical to customer satisfaction.

I think that acquisitions and mergers within the software industry have become problematic, and have created fear and uncertainty in regards to where the software vendor and product direction is headed. For VAI, being privately-held has been a great advantage because the customer sees continuity, predictability and financial stability well into the future.

I know you need to get back and mingle with your customers. Anything else you want to say to our audience in closing?

We need to continue to look at the longer-term plan, as well as prioritize and recognize what goals are most important in continuing to provide efficiencies, investment and growth for our customers via a solid technology investment— wrapping it around an extremely beneficial total cost of ownership. I see this as VAI's long-term endeavor that continues our customer-driven development of the S2K product line. <<