



ERP for the Masses?

Grow-as-you-go enterprise functionality permeates the middle market.

By Richard McCausland, April 2004

Pat Sigmon has heard it too many times. After outlining to a mid-market prospect how the company can benefit from automated inventory control or bar coding or customer management as part of an integrated Enterprise Resource Planning solution, she gets this response: "We don't do ERP."

"They think of it as something that's going on at Procter & Gamble or at Barnes & Noble," says Sigmon, president of LPS Consulting in Fanwood, N.J. The reality, she contends, is that financial software developers have extended their product suites to encompass true enterprise-class business management capabilities that include accounting, manufacturing, distribution, and e-commerce.

Ironically, "even the smallest clients" are insisting on enterprise functionality these days, although they probably aren't calling it that, according to Sigmon. They expect a comprehensive audit trail, and costing tools, and order tracking, and automated bills of lading, and maybe integrated payroll, or capacity scheduling, or even an online store. "They believe that these are all standard things that the system should come with—which is a lot different than it was five years ago," she notes.

Times change. Exact Software reseller Business Computer Technologies still concentrates on the mid-market, "but we don't shy away from moving up the chain," says chief operating officer Tod Replogle. He elaborates, "Five years ago, we would have looked twice at 150 concurrent users and up. Now, we don't blink at that."

A pallid economy has given new urgency to retaining existing accounting software clients by ensuring that they have an upward migration path, as well as exploiting cross-selling opportunities through all sorts of front- and back-office functional extensions. It's no accident that market leaders Microsoft Business Solutions (Great Plains, Solomon, Navision, and Axapta) and Best Software (MAS 500, AccountMate, Accpac Advantage Series, and Pro Series Enterprise Edition) have been piling on the functionality in recent years through acquisitions, internal development, and alliances with third-party application developers.

They're hardly alone. Exact is going down this road with its Macola-Enterprise Suite/e-Synergy combo, as is the Epicor portfolio of front- and back-office solutions complemented by a Web overlay. There's the Syspro suite, comprising more than 40 modules that address everything from financial controls to material requirements planning (see Channels, page 43). And Chantilly, Va.-based iCode has weighed in with its "mini-ERP" Everest Advanced Edition.

Even Mountain View, Calif.-based Intuit has seen fit to move upstream with its QuickBooks Enterprise Solutions, supporting up to 10 simultaneous users and priced at \$3,500. Introduced a year and a half ago, these packages can accommodate a hefty 29,000 contact names and a similar number of inventory items, allow remote access via Windows Terminal Services, and generate specialized reports.

As these companies move up-market, the once-formidable J-BOPS (J.D. Edwards, Baan, Oracle, PeopleSoft, and SAP) appear vulnerable to varying degrees. All of these Tier One ERP vendors have found the going rough in the middle-market space; some have even lost their independence. Baan, a Dutch company, has switched hands twice since 2000, and now operates as a unit of Chicago-based SSA Global Technologies. JDE was purchased by PeopleSoft, which has subsequently been preoccupied with fending off the unwanted overtures of Oracle.

Not that the top-tier players are ready to slink away. SAP is targeting “emerging” enterprises with Business One, whose core components address accounting, reporting, sales, distribution, purchasing, warehousing, and partner management. Oracle, via its NetSuite progeny, has NetERP, which integrates Web-based order, inventory, and procurement management with financials to provide an e-business solution for mid-sized firms.

Whether a business has five employees or a thousand, “You have to have access to real-time information,” says Michael Williams, NetSuite senior vice president for worldwide sales. “If you don’t, it could derail your business.”

Jim Bowling, business development manager for Microsoft Business Solutions partner, Norcross, Ga.-based IBIS, voices a similar sentiment. “These days, even smaller companies have to have the same technologies and platforms as large enterprises in order to be successful,” he comments.

Need to Integrate

“When we install something, it’s always part of an integration. I don’t sell anything that doesn’t integrate,” says Sigmon.

That’s why she has hooked up with software brands that have a clear migration path, whether to Best’s MAS 200/500 or to its newly-acquired cousin, the open-source Accpac Pro Series Enterprise Edition. Both solutions also benefit from their access to the vast Best network of software development partners for complementary functionality.

For much the same reason, LPS recently signed on to sell SAP Business One, whose Solution Partners are already developing industry-specific functionality that will include Internet sales, reporting and logistics, warehousing, and customer relationship management.

Phased-in functional enhancements are the way to go, in Sigmon’s view. “The happy camper doesn’t think about ‘Get rid of it!’ when a growing business confronts functional constraints, she points out. Instead, “He’s thinking about ‘Let’s add on.’”

A case in point: Astrolab is a Warren, N.J.-based manufacturer of RF/microwave components for military, space, and commercial applications. A few years back, the company decided to scrap its “antiquated” computer system, recalls president Steve Toma. “We wanted to get something that we could start using right away, and then add on from there,” he says.

With the guidance of LPS, Astrolab put in an Accpac Pro Series suite of financial, order, and inventory control modules running on Microsoft Visual FoxPro. Toma cites improved visibility with regard to what’s in stock, thereby increasing inventory turns. Also, “We’re able to generate a financial statement more quickly, and stay on top of what our costs are running us.”

Now, Astrolab is ready for more. LPS recently completed implementing a customized job-and-labor-tracking module that allows Astrolab to use bar codes to manage production. Also, buoyed by a resurgent market for military components, Astrolab is looking to expand its number of licensed users from 15 to as many as 25. Thought is being given to upgrading to SQL as well.

Slowly but surely, “Adding more production features to their existing system is giving [Astrolab]

the functionality of a full ERP system,” says Sigmon.

The \$10M Threshold

“Any company over \$10 million needs an ERP backbone to maximize how they do business,” contends Rick Nichols, chief marketing officer for IBIS, a Great Plains stronghold.

More specifically, he insists that what middle-market businesses want is this: “Make it simple, make it so it’s not cost-prohibitive, and if I’ve got a problem, make it so that I can dial one phone number to correct it.”

That’s where the Tier One ERP vendors, with their “extremely expensive” database administrators, fail to deliver, in Nichols’ view. “It’s like this black pit where you keep throwing money in, yet you never see the comparable value,” he says. That’s why, when coming up against these ERP vendors, IBIS can prevail with Great Plains Edition. “You can install and maintain it for a much lower cost than you could Oracle or SAP,” he says.

Nichols cites the case of the Henry County Water Authority in Georgia. A few years back, in need of extensive utility billing and financial reporting capabilities that would accommodate more than 38,000 customers, the agency implemented a PeopleSoft system. Then the agency discovered that it would need the ongoing support of outside consultants, significantly raising their system expenses.

The authority turned to Ibis to solve its problem. The remedy was to substitute a SQL-based Great Plains install—including financials, HR, project management, some supply chain management functionality, and customization tools—at approximately 70 percent of the PeopleSoft price. The implementation took two and a half months.

According to Nichols, agency users find it easier to enter purchase orders, invoices, vouchers, and receipts. The agency also has realized savings from doing their own upgrades, and making customizations with less dependence on consultants.

Clearly, competition in the mid-market is heating up. “The Tier One [ERP] guys are coming downstream because there are fewer large customers for them to go after,” notes Larry Schiff, president of New York-based Business Management International. They’re making some headway with what Schiff describes as their “very compelling software license pricing,” along with fixed-fee implementation services.

“I expect this competition to intensify in the future,” he says, but Schiff isn’t running scared. “The flexibility of many mid-market ERP solutions, as well as pricing and ease of use, make a compelling argument against purchasing the global ERP solutions,” he says. BMI believes it’s well-positioned with Microsoft’s Great Plains, Navision, and Axapta lines, along with the iCode Everest Advanced.

Sunham Home Fashions, a New York-based textile importer, was “growing at a nice rate,” but still invoicing and allocating inventories manually. “Our volume [of transactions] was in the thousands on a weekly basis, both ingoing and outgoing documents. It was a nightmare,” recall Richard Landis, operations manager.

With BMI’s help, the importer brought in Navision with integrated EDI. “Now the accounting department can click on a button and see a purchase order, or what shipped, or the actual signed bill of lading,” says Landis. What’s more, “We have people in China who can now hop on the Internet” to conduct business. The implementation, from start to finish, took about six months. And what’s more, says Landis, “We didn’t miss a beat.”

Fruitful Relationship

Although “we basically work the cornfields,” AccountMate reseller NexLAN, based in Danville, Ill., has “numerous clients that are more than \$100 million,” says principal Kevin Stroud. “It’s a pretty mature software market and customers expect mature functionality.”

He cites his success with Chiquita Fresh Cut, a division of Chiquita Brands that produces cubed fruit in packaged containers. Wanting to migrate from its home-grown Cobol system, the customer needed “dynamic” costing functionality for buying raw materials, as well as strict lot-tracking to ensure compliance with government regulations. Although starting with 20 concurrent users, the Chiquita unit expects to ramp quickly to 100 users as new plants come on-stream.

To complicate matters, headquarters is running J.D. Edwards financials. “We had an uphill battle because JDE was already entrenched there,” and was competing for this new business, notes Stroud. Yet NexLAN won the deal because it could keep to the customer’s “tight” 90-day implementation schedule with an AccountMate install. “We had our methodology down,” says Stroud. Also, NexLAN’s size worked to its advantage, since “We can turn on a dime to support these people.”

Meanwhile, Philadelphia-based CompuData is offering “enterprise-wide” business solutions with MAS 90/200/500 or SAP Business One as the centerpiece. Chief executive Steve Ciarciello notes, “Businesses by and large in the SMB space are looking for the capabilities and feature sets that the ERP vendors supply.” However, in the transition from a single-site small business to a multi-site enterprise, “A client doesn’t want to have to bring in a cadre of [multi-sourced] products to get him to that next level.” Rather, clients want one-stop shopping, which they can get from the expanding Best and Business One suites, according to Ciarciello.

The reseller’s “sweet spot” encompasses companies with annual revenue of \$7 million up to \$100 million. At the higher end, CompuData is “bumping against” the ERP heavyweights, according to Ciarciello—and sometimes winning against them. These victories are due, at least in some small part, to fears of “getting killed” on annual maintenance fees of \$100,000 or \$150,000 charged by the ERP top tier, he notes.

Making All the Connections

Exact’s Macola-ES includes accounting, distribution, manufacturing, and related supply-chain applications. It may be combined with the Web-based e-Synergy to help businesses in managing their customer relationships, workflow, HR, projects, documents, and portals. Target customers include any business with annual revenue up to \$250 million, although larger firms have signed on, according to Mike House, general manager for Exact North America in Andover, Mass.

This is all about being an across-the-enterprise solution,” he says. “You want to connect all your people to all your processes.” The strategy works, he contends. “Our channel is starting to get larger and larger opportunities. They’re starting to close 75- and 100-seat deals.”

Normal, Ill.-based BCT’s Replogle maintains that the rich functionality of Macola-ES, coupled with e-Synergy, is suited to mid-market enterprises “that want a totally integrated solution, front and back, residing on one database.” The ERP giants have that, too, but there’s an additional key ingredient that comes into play: “You have to have ease of use,” which is where the titans fail to deliver, he suggests. “Companies don’t want consultants out there [on-site] for a year,” he insists.

San Mateo, Calif.-based NetSuite, whose primary investors include Oracle chairman Larry Ellison, has priced its NetERP for mid-sized firms at \$4,800 for the first user per year, with each additional user priced at \$75 per month.

NetERP, in turn, integrates with NetCRM to form NetSuite, which continues to add functionality such as business intelligence and analytics.

By providing a feature-rich solution, “We do bump heads with Oracle and PeopleSoft and SAP as they come way down,” reports Williams. Fortunately, in his view, “We are extremely competitive because we can speak to this new [Web hosting] technology with our depth of products.”

Meanwhile, NetERP includes such capabilities as serialize inventory, multiple units of measure, matrix option items (e.g., color, size, and material), and quantity-based pricing. These latter capabilities are especially attractive to growing importers and exporters, notes Mick Gallagher, chief executive of San Clemente, Calif.-based LS Technologies. “They can tie that matrix inventory into their Web presence,” allowing customers to see what inventory is on hand and place an order. From the vendor’s perspective, it facilitates re-ordering, as well as allocating stocks on hand.

QuickBooks in the Fray

Targeted to businesses with over 1,000 employees, QuickBooks Enterprise Solutions represent a “natural progression” beyond QuickBooks Pro and Premium, notes Rich Walker, director of accountant and advisor relations. The company is responding to a clear customer need. “They want more features and functions to handle their business, yet they want the right price point and they want their data to be easily transferable,” he says. In short, what they’re indicating is that “We want more of QuickBooks,” according to Walker.

For those who require vertical functionality, Intuit is rolling out a series of industry-specific Enterprise versions. So far, these include Contractor, Nonprofit, Retail, Professional Services, and Manufacturing & Wholesale editions. An Accountant Edition includes all the functionality of these various niche packages.

Intuit, however, better watch its back. The Everest Advanced Edition 2.0 from iCode is designed specifically to accommodate QuickBooks data imports. “The mid-market is not brand loyal. The brand is only as good as its current ability to meet the customer’s needs,” comments iCode marketing vice president Steven Toole.

Priced at \$2,250 per seat license, Everest Advanced is suited to companies with up to 500 employees, conducting business in various currencies and global markets. The software addresses accounting, inventory, e-commerce, purchasing, shipping, receiving, sales force automation, marketing and contact management, returned merchandise authorization, point of sale, and U.S. payroll. A leasing option is available at \$65 per user per month. Enterprise software has to incorporate “360 degrees of the company, from front office to back office and every office in-between,” says Toole.

That said, the mid-market expects these integrated solutions to “work out of the box and [not to] require a ton of customization,” he remarks.

Entegrate: Methodology Is Key

“In the SMB (small and medium-sized business) space, the ‘M’ has a very high end to it,” says Steve Balow, a partner with Entegrate USA, a Microsoft Axapta reseller based in Rolling Meadows, Ill. The company “historically” has served very large customers, in the 500-to-1,000-seat range. “We’re seeing Axapta able to scale to the thousands of users,” he reports.

An efficient methodology is critical to a successful implementation, according to Balow. With that in mind, the reseller developed ERP Complete, a software framework that allows Axapta clients

to complete install-related tasks with minimal supervision from the consultant/systems integrator. "Our intention was to lower the cost and to lower the disruption typically associated with enterprise software," explains Balow.

Entegrate estimates that the software package can reduce the cost of the Axapta configuration services by as much as half, and can reduce operational testing time by as much as 70 percent.

With initial pricing expected to be "about \$20,000," ERP Complete consists of four modules: Program Management (a repository for progress notes and configuration decisions); Configuration Management (a sequenced set of work steps to make specific functionality operational); Deliverable Library (audio-video presentations to explain concepts, process maps, training materials, test scripts, and preconfigured working "base companies" to accelerate set-up); and Communication Management (including email notification and portal access to facilitate the resolution of issues).

ERP Complete allows the client's own staff to "work as fast as they want, when they want" to accelerate the system install. This leaves more time for the reseller/consultant to "focus our contribution on much higher-value activities," notes Balow.

Haldex, a global supplier of automotive components and subsystems with headquarters in Stockholm, Sweden, adopted the ERP Complete framework. "The system guides you through each implementation step," says IT director Donovan Dean. "It has allowed us to cut our implementation budget by 25 percent."

Balow believes that its proprietary methodology will allow Entegrate to compete even more effectively against the likes of JDE, PeopleSoft, and Oracle with their "deplorable record" of costly, lengthy implementations. "We think there are a lot of switchers out there," says Balow.

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