

Is My Computer System Really That Bad?



SURVEY FOR APPAREL MANUFACTURERS & DISTRIBUTORS

Over 70% of Senior Management in the Apparel business sector believe that the computer system they use is flawed. They believe there are deficiencies in the correctness of stored data and that there is a lack of appropriate functionality or reporting capability in the system. This document
 has been designed to quantify the weaknesses of a system in terms that everyone can understand so that a more meaningful measure can be derived to determine the extent of the flaws.

	Person Days	Average Rate	Calculated SS	Annual Total
How many person days are spent unnecessarily <u>each week</u> performing the following tasks?				
Entering sales orders to the main system that were received from a stand alone Electronic Data Interchange (EDI) system.				
Performing manual credit checks on customers when the order is entered.				
Searching for unconfirmed or pre-quoted sales orders that were not entered to the system.				
Re-entering static information about the customer i.e. address, shipping information, terms codes.				
Entering style, colour and size information line-by-line instead of at one time.				
Confirming the details of the order with a customer by phone after the sales order is accepted.				
Searching for missing documents such as sales order confirmations or pick slips.				
Researching answers to customer questions about the status of their orders.				
Deciding to which customer orders to allocate the remaining inventory items.				
Performing credit checks on customers just before shipment.				
Entering shipping information to a stand alone EDI system from the main system.				
Counting inventory to determine availability for sale.				
Contacting customers to renegotiate the order when the goods counted were actually being held for another customer.				
Searching for finished goods inventory in the warehouse.				
Looking up old orders and re-entering them when the customer orders a repeat.				
Developing and updating spreadsheets to keep track of:				
Inventory				
Orders				
Commissions				
Printing, photocopying, cutting and pasting documents for various users of the system.e.g. management, salesreps, etc.				
Re-entering order information to another system so that invoices can be generated.				
Contacting shipping companies to give details of shipment and request pick-up.				
Typing up Purchase Orders where most of the Vendor information does not change i.e. terms, shipping instructions.				
Searching for missing documents such as purchase orders, letters, faxes.				
Identifying which sales orders are to be filled from the large shipment of finished goods just received.				
Looking for raw materials to be used in urgent production.				
Looking for partially finished goods in the factory so as to be able to estimate their completion date.				
Balancing receipts of inventory with suppliers invoices.				
Waiting for the system back up to complete before processing can continue.				
SUB-TOTAL		\$227		
Annualized (Multiply by 50)				

Note: The Daily Rate is based on an Annual Average Salary of \$50,000 including benefits divided by 220 working days per year.

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	Person Days	Average Rate	Calculated SS	Annual Total
How many person days are spent unnecessarily <u>each month</u> performing the following tasks?				
Re-entering monthly data to a separate General Ledger package.				
Balancing the Accounts Payable list to the General Ledger.				
Balancing the Account Receivable List to the General Ledger.				
Creating Financial Statements without a pre-determined format.				
Updating spreadsheets with monthly numbers for reporting purposes.				
Retracing receipts and shipment of goods to reconcile what happened to the inventory.				
SUB-TOTAL		\$227		
Annualized (Multiply by 12)				
How many dollars are lost on a <u>monthly basis</u> due to the following reasons?				
No control over raw materials kept at the plant or subcontractor.				
No monitoring is done on yields achieved on fabrics purchased from different vendors.				
No monitoring is done on yields achieved by different plants or subcontractors.				
No long term record is kept of seconds produced by plants or subcontractors.				
No long term record is kept of reworks done by plants or subcontractors.				
Bad debts are recognized.				
Supplier invoices are not matched up and ready to be paid on time in order to receive the early payment 2% discount.				
Other				
SUB-TOTAL				
Annualized (Multiply by 12)				
How many dollars are lost on a <u>seasonal basis</u> due to the following reasons?				
Raw materials orders arrived late and could not be used to manufacture.				
Finished goods ordered arrived late and could not be sold at full value.				
The manufacturing plants did not have time to complete the order in time.				
Goods were incorrectly shipped to customers with later cancel dates instead of to those with earlier order cancel dates.				
Goods that were supposed to be on hold for a customer were shipped in error.				
Trends were not recognized early enough to re-order the hot sellers.				
No record is kept of which styles are returned most often.				
No record is kept of which customers return goods most often.				
Goods are shipped without ever being invoiced.				
Orders are taken and then lost due to the inavailability of:				
Raw materials				
Manufacturing capacity				
Finished goods				
Some important information was reported and the other party either did not hear it or forgot to act upon it.				
Other				
SUB-TOTAL				
Annualized (Multiply by 2 or 3 or 4 depending upon the number of major seasons you have per year).				
Total Annualized Unnecessary Costs	(A)			

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New System Costs (Enter if you have specific costs already. If not see Summary Costs below)				
Detailed specific costs - if available				
System search costs				
Hardware				
Software Licenses				
Operating Systems				
Communication Software				
Financing Costs				
Project Management				
Travel Expenses				
Implementation Assistance				
Staff Training (overtime hours only)				
Staff usage and testing (overtime hours only)				
Live Operation (overtime hours only)				
<p><i>Note: Total cost estimates range depending upon specific requirements of the user. The following is merely a guide to choose from depending upon the number of users and the complexity of your organization's operations and needs.</i></p> <p><i>1-10 user systems including all above costs = \$6000 - \$12000 per user</i></p> <p><i>11 - 50 user systems including all above costs = \$5000 - \$10000 per user</i></p> <p><i>Above 50 user systems including all above costs = \$3000 - \$8000 per user</i></p>				
Summary Costs				
Number of Users				
Average Cost per User				
Calculated Cost				
Total new system costs				
	(B)			
Total Annualized New System Cost (Divide total new system cost by 3.5 The industry accepted pay back period is 3 - 4 years)				
	(C=B/3.5)			
NET ANNUAL DIFFERENCE				
	(D=A-C)			
<p><i>NOTE: If the Net Annual Difference is a positive number it will tell you how much money you lose each year by not implementing a new system, taking into account existing volumes.</i></p>				
Pay-back Years = Total New System Cost / Total Annualized Unnecessary Costs				
	(E=B/A)			
<p><i>The life of a system ranges generally from 7-9 years, and payback for a new system is generally regarded to be 3 - 4 years:</i></p>				
<p><i>If the Pay-back Years is less than 3 then it is time to change that system ASAP. "Move directly! Do not stop at GO! Do not collect \$200!"</i></p>				
<p><i>If the Pay-back Years is 3 - 4 then start the process of looking for a solution. You should be changing the system within the next year.</i></p>				
<p><i>If the Pay-back Years is 5 - 6 you are OK for now. You may want to consider purchasing an add-on tool for those specific areas you feel unhappy about e.g. an ad-hoc reporting tool.</i></p>				
<p><i>If the Pay-back years is greater than 6, relax, take a vacation and let the computer run the business!</i></p>				
<p><i>Note: This exercise is not designed to be scientifically calibrated nor does it take into account the present value of money or the efficiencies and/or costs of many add-on software modules such as Payroll, Bar Code Scanning, Warehouse Management and Radio Frequency Identification etc.</i></p>				

***We don't just advise you on what to do,
we work with you to make it happen.***

Management Consulting Division

- Existing Systems Evaluation
- Existing Systems Improvement
- Needs Analysis
- New System Search / Selection
- Implementation Project Management
- Logistics / Operations Consulting
- Best Practices Consulting
- Change Management
- E-commerce Support
- Data Mining / Reporting Add-on Tools

SR & ED Division

- Identify and Develop Claim
- Staffed by Engineers / Former Federal Employees
- Up-to-date on Program Nuances and Changes
- Templates Provided for Project Documentation
- SR&ED Technical Claim Preparation
- Pro-forma T661 Provided to Accounting Firm
- Training to Ensure Proper SR&ED Tracking
- C.I.C.A. Continuing Education Credit Courses
- Free Consultation to Evaluate Claim Potential
- Meet with CRA to Support and Defend Claim

David Teeger

Director

David Teeger C.A., C.A. (S.A.) graduated as a Chartered Accountant in South Africa, and upon arrival in Canada he obtained his Canadian C.A. designation and joined Richter & Associates, a management consulting firm, where he concentrated his practice on various business sectors including fashion, household goods, automotive parts, public associations, and retail chains. He performed many roles in his 15 years at Richter, including managing the professional services organization in North America and all business operations throughout Europe.

David's professional capabilities include computer audits, feasibility studies, system analyses and assistance in the selection, negotiation and implementation of computerized solutions.

As a founding partner of Teeger Schiller Inc., he has focused his practice on consulting to management. His team of professionals has helped businesses select and successfully install a variety of ERP business solutions and add-on systems including business intelligence solutions to give new life to existing computer systems. David's clients not only rely on him to successfully manage the implementation of their new systems, but to manage the change that occurs in their organizations as a result of the use of these new tools.



Elliot Schiller

Director

Elliot Schiller, B.Sc., Ph.D., C.M.C. began his career as a Chemical Engineer working for Grumman Aircraft, in Long Island, New York. He obtained his Ph.D. at the University of Pittsburgh with funding from the U.S. Atomic Energy Commission, and, after being awarded a Presidential Fellowship, he went on to perform research and development activities at Brookhaven National Laboratory.

Since coming to Canada, he has primarily assisted consumer products and retail organizations in a variety of strategic management initiatives, traveling around the globe on behalf of his clients. In 1987, Elliot joined Richter & Associates, and it is here that he first met David Teeger.

As a founding partner of Teeger Schiller Inc., he has focused the SR&ED Division on obtaining grants and tax incentives for over 100 companies in the small to medium sized business sector. His team has provided services to the apparel, textile, information technology, and material development sectors. Last year alone, Teeger Schiller Inc. was able to secure over \$5 million in government funding to assist its clients in having their business initiatives supported by government funding.



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