

# LEVERAGING STATE-OF-THE-ART TECHNOLOGIES TO MAINTAIN MID-MARKET ERP SOFTWARE RESILIENCY

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Long-standing mid-market enterprise resource planning (ERP) software vendor VAI Software continues to provide a comprehensive ERP suite for food manufacturing, wholesale distribution, and other industries. While the company maintains the key tenets that have brought it longevity in the fiercely competitive ERP mid-market, its future focus is on technological capabilities that provide what customers want and enhance the customer experience. These capabilities include cloud deployments, integrated mobility features, and predictive analytics.

TEC's PJ Jakovljevic reviews VAI's approach and describes the enhancements of the latest release of company's flagship ERP—S2K Enterprise 6.0. Features of this latest software release include a browser-based user interface and device-agnostic capabilities, as well as integrated customer relationship management (CRM) and mobile features. PJ also touches upon VAI's extensive

partner network and outlines the company's future roadmap to better serve midsize companies by leveraging key technologies, including IBM Watson.

## VAI Background

Rather than doing the traditional individual briefings with industry influencers, VAI Software (the name standing for "Vormittag Associates Inc.") decided to recently gather select press and media attendees to its Analyst Day in New York City. VAI is an independent mid-market ERP software provider for the wholesale distribution, manufacturing, specialty retail, and service sectors. While the company is less well known than other ERP mid-market providers, it's been around since 1978.

Founded by its owner and current president and chief executive officer (CEO) Robert "Bob" Vormittag, VAI is headquartered in Ronkonkoma, New York, and has branch offices in Florida, Illinois,

and California. The company has more than 165 employees and is in a hiring mode (growing in double digits over the past few years). It also has a network of authorized resellers, and its ERP software is currently used by more than 1,500 mid-market companies. While VAI is US centric, it has some customers in the Caribbean region, Latin America, and even in the Middle East (mostly divisions of the US-based companies).

VAI deserves kudos for its longevity in a very competitive space. The company survived from delivering its first enterprise software on IBM's now ancient 5120 computing systems, via System/36, AS/400 (in the 1990s and 2000s), all the way to today's modern server hardware and cloud technologies. The mid-market ERP software vendor still employs RPG and Java programmers (and looks to hire more).

## Key Tenets of VAI's Success

There are multiple reasons for

VAI's resilience in the marketplace, starting with a few long-tenured employees that have been with the company for more 20 years. Both of Vormittag's children have been with the company for a long time, and hold top positions (e.g., Lisa Vormittag is chief financial officer [CFO] and is also vice president [VP] of marketing). As VAI does not use any venture capital money, in the case of one bad quarter or so, there are no impetuous decisions to cut research and development (R&D) or make disruptive layoffs. The only layoffs in the company's long history admittedly took place in 2009, during the protractedly very bad economy. But since 2010, the company has been back on a healthy growth and expansion streak.

Bob Vormittag and his children are not autocratic leaders (Bob is quite approachable and personable). In fact, VAI's leadership team consists of about 20 people. For example, Joe Scioscia, VP of sales, and a 28-year company veteran, also presented at the event (see figure 1). Kevin Beasley, chief information officer (CIO), has also been with the company for almost 30 years.

Such employee loyalty translates into customer loyalty. VAI

employees have over the years nurtured close relationships with their customers, and this customer intimacy is second to none in the industry. To keep customer satisfaction fully in more control, VAI conducts most implementations and support itself, and leaves resellers to sell to new customers (except for a few truly expert partner companies that can be relied upon for deployments too).

Another reason for VAI's success has been the company's unrelenting focus on midsize businesses, those with several hundred million dollars in revenues and several hundred employees (the vendor has only a few customers with billion-dollar revenues). VAI has always been in the mid-market, as opposed to most other ERP software vendors trying to crack the segment either coming from the lower-end or upper-end of the ERP software market.

The completeness of VAI's flagship S2K Enterprise suite is another reason for the success in this target market. The system has strong best-of-breed capabilities not only in core accounting, manufacturing, and distribution but also in other areas that typical mid-market ERP software

systems don't have natively. For example, VAI's native warehouse management module surpasses that of other vendors such as HighJump, while its purchasing recommendations (replenishment) capabilities displace those of JDA E3 at many customers.

Warehousing management functionality is a critical component of ERP systems in these days of e-commerce and multichannel fulfillment. Moreover, VAI's sales force automation (SFA) module, developed in part on top of IBM WebSphere Portal, has been made supply chain aware. This means that the SFA module has many additional logistics and shipping customer attributes, so that VAI ERP software customers do not need, say, Salesforce, SugarCRM, or Microsoft Dynamics CRM.

Vertical focus also comes in handy, such as in the food industry, and about half of new business comes from food (non-durable goods) processors. Those companies appreciate the capabilities such as catch weight processing, broken case tracking, rebates, billbacks and promotions, dock appointments, lot and date tracking, and hand-held route accounting (proof of delivery). Most companies in the food industry have their own fleets

and warehouses, while companies in other industries are happy with shipping small parcels via UPS or FedEx, and larger shipments via truckload or less than truckload (LTL).

VAI's pharma industry solution provides comprehensive regulatory compliance capabilities, such as tracking any suspicious orders for drugs. As such, the software has a lower total cost of ownership (TCO) than solutions that provide only a few compliance capabilities. In addition, once customers grow past 150 to 200 user licenses, they can switch over to VAI's enterprise license (unlimited number of users), which works well for both sides.

### **IBM and Other Partners**

But no software vendor, especially of a still small stature like VAI, can do it all alone. VAI has been an IBM partner since 1983, and an IBM Premier Business Partner shortly after that. The company was twice named IBM Beacon Award Winner for Outstanding Solutions for Midsize Businesses (with fewer than 1,000 employees).

IBM WebSphere Portal has been embedded under S2K Smart Center, a role-based portal with all relevant info and metrics, which also includes S2K Sales Force (if

the role happens to be of a sales manager or sales rep).

There is also the S2K Enterprise Portal module with integrated Web content manager, with business to business (B2B) and business to consumer (B2C) commerce capabilities. For example, a customer self-service portal offers account inquiries, order status, and payments.

IBM Cognos is also embedded within the separate S2K Analytics reporting and business intelligence (BI) module as well as throughout the entire VAI S2K Enterprise system (e.g., dashboards in the S2K Smart Centers).

IBM DB/2 is used as database, and with the ongoing explosion of data (multichannel shipping visibility and tracking data), VAI plans to explore the database's in-memory capabilities down the track.

The vendor also uses more than 20 technology alliance partners (see figure 2) to deliver those capabilities that are not a core competency but are still important. Think of capabilities for electronic data interchange (EDI), sales tax management, payments, forms and labels printing, etc.

For example, Omnitracs Roadnet Transportation Suite helps VAI deliver route and load management (including pallet optimization, so one doesn't put fragile items at the bottom, etc.)—a differentiating capability for food companies. As another example, HelpSystems provides forms and document management for supplier and customer onboarding.

### **Enter S2K 6.0**

During the event, VAI announced Release 6.0, the latest upgrade to the S2K Enterprise suite. The major development in this release is that the entire suite is now fully browser based and device agnostic, which was previously the case only for S2K Smart Center and customer relationship management (CRM) software capabilities (see figure 3). Also, there are no more client-side applets, and Rocket Software's JWalk client side tool has been replaced by the HTML5 user interface (UI) building tool, also by Rocket Software.

This latest release of the S2K Enterprise solution suite emphasizes customer experience, with integrated CRM and mobile applications via a single sign-on that can improve efficiencies, enhance customer service, and turn ordinary smartphones

into powerful business tools. The enhanced UI provides upgraded functionalities, including customizable grids and data displays that allow users to tailor screens without custom programming. Built-in data analytics detect patterns in the supply chain, and offer tangible inventory statistics that allow businesses to identify opportunities for growth.

VAI is prepared for cloud deployments with the browser-based UI. With this UI, customers have the flexibility to access the solution anytime, anywhere, on any device via the internet. In fact, VAI has been offering a hosted private cloud option to its customers since 2009.

The company runs its own datacenter in two locations to offer scalability with built-in high availability and disaster recovery capabilities to ensure maximum uptime and help prevent data loss. While the customer uptake of cloud deployments has thus far been tepid (about 5% to 10% of customers), 8 of 10 prospective companies are now at least asking about cloud deployment.

While S2K Portal and S2K Sales Force require a WI-FI connection, the S2 Mobile module on

Android and iOS devices, used in warehouse, order entry, proof of delivery (or return), or order entry scenarios, can work offline (say, in the case one is delivering goods to a cellar of a building with no connectivity). And once the user is back in the WI-FI zone, file syncing occurs.

As VAI has partnered with Verifone for payments capability, it also offers a point of sale (POS) solution. This capability comes in handy for those manufacturing and distribution companies that want to open their own retail stores or factory outlets directly to consumers.

### **Future Outlook**

VAI pledges to continue to innovate with new solutions that leverage analytics, BI, mobility, and cloud technology—to help customers make more informed business decisions in real time and empower their mobile workforces. This is in tune with responses from a recent VAI customer survey. According to the survey, companies sound optimistic about the economy and plan to spend more on technology to improve their productivity and competitiveness. VAI is also seeing more and more requests for proposals (RFPs) asking for advanced workflow management

capabilities.

The vendor is looking to IBM Watson Analytics to provide predictive analytics and relevant recommendations to improve customers' business. IBM's Weather Data could provide more accurate forecast suggestions for items and assortments, while Watson could pore over actual orders and shipment data and provide best practice–improvement recommendations for the future. Alternatively, users could ask Watson in a natural language processing (NLP) manner, e.g., “Please find me the most profitable customer? Or “What is the most effective shipping route?”

VAI plans to leverage Watson IoT in the distant future. While the company's install base is currently not in the Internet of Things (IoT) signals–rich environments, some equipment manufacturing customers will likely need such capabilities sooner rather than later.

VAI is not likely to attempt to expand internationally, as it still sees plenty of growth opportunities in North America. It would also be costly to maintain the current level of customer satisfaction internationally. VAI might rather consider tackling the apparel

industry, but the incumbent mid-market ERP software vendors there such as NGC Software and Centric Software will offer a fierce barrier to entry.

VAI competes at the small

business end with NetSuite and Microsoft Dynamics 365 (and likely from Acumatica down the track), and also competes with its traditional adversaries such as Infor, Epicor, and SYSPRO at the mid-market. While most

of those vendors enjoy much larger size, global reach, and brand recognition, VAI seems to be ready to offer its arsenal of solutions to remain competitive in its mid-market ERP software target segments.