



EFFECTIVE USE OF IT RESOURCES
IN THE DIRECT SALES INDUSTRY

THE KEY TO SURVIVAL

As every smart business person knows, success doesn't happen by accident. You need to plan for the future and make careful choices based on your business goals – especially when you invest in information technology. To thrive in today's dynamic marketplace, companies must prepare for tomorrow by developing information systems that can grow and respond to shifting customer demands. For Direct Sellers, this ability to respond effectively to change is key to survival. Executives in the Direct Selling Industry agree that planning for change is crucial – yet as IMS discovered when we surveyed members of the Direct Selling Association, many are still not acting on that conviction.

To shed light on the issue, as well as to provide statistical guidelines for measuring your organization's response to this challenge, IMS contacted 85 Direct Selling companies. All the companies were mid-sized, with revenues ranging from \$25 million to \$500 million. CEOs, Presidents, CFOs, COOs, and Directors of MIS responded to our questions about their technology investments. Spending on information systems in the companies surveyed averaged from 1% to 3% of annual revenues, with some companies spending as much as 5%.

While 70% of respondents did have a planning process, most admitted that their IS budgets were largely devoted to maintenance and quick fixes, rather than to developing flexible, growth-oriented systems. These participants confirmed the critical importance of having superior systems that would help them meet their business goals now and in the future. However, few of them were applying the kind of top-down, building-block approach that would lead to success.

Almost all respondents (95%) were highly concerned about their information systems' lack of flexibility and responsiveness to business change. Data on the specific topics addressed by the survey is detailed on the following pages.

IS ORGANIZATION AND PLANNING

Spending

The average investment ranges from 1% to 3%, with some companies spending as much as 5%.

Comments: This ongoing substantial investment suggests that maintenance of older systems absorbs a significant portion of IS budgets. Replacing outdated systems through a build/buy approach would ultimately cost less and provide greater flexibility.

Staff – Operations/Maintenance vs. Systems Development

Companies report a range of 20% to 80% of IS staff devoted to maintenance. The majority of companies dedicate 60% of their staff to maintenance/operations and 40% to developing new systems.

Comments: The high resource allocation for maintenance suggests that many systems are outdated and not flexible enough to support business changes.

Planning

Although 70% of companies do have a planning process, most are bottom-up and based more on budget requirements than on actual strategic goals.

Comments: To build systems that generate sustained value, companies need to align their systems initiatives with their business needs and objectives. A top-down, building-block approach minimizes risk and speeds implementation.

SYSTEM EFFICIENCY

Manual Systems

More than 50% of companies use traditional data entry for orders.

Comments: Companies could save significantly (up to 80% of their current cost for data entry staff) by using Internet technology.

Satisfaction with Current Systems

Most respondents were satisfied with the functionality of their current systems. However, nearly all were concerned that their systems lacked flexibility and were labor-intensive and not responsive enough.

Comments: Rather than replacing existing systems when maintenance costs become excessive, most companies continue to spend their resources on further embellishments.

Major Strengths

Various respondents described their systems as having these strengths: accuracy, reliability, flexibility, integration, ease of use, customized fit, and focus on fulfillment cycle.

Comments: None.

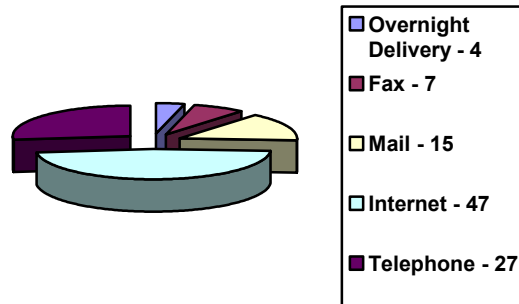
Major Weaknesses

The following weaknesses were quoted: lack of integration, lack of interfaces, inflexibility, long lead time for change, legacy systems, labor intensiveness, lack of security, and slow customer service.

Comments: Flexibility and responsiveness to change are of particular concern in the dynamic DSA business environment.

Received Orders

The pie chart below is a breakout of the various ways orders are received. Please note some companies have multiple ways of receiving orders.



Forecasting System

The following is a breakdown of companies that have forecasting systems.

Yes: 75% -- No: 25%

Product Sales Trending

The following is a breakdown of companies that have a product sales trending information system.

Yes: 88% -- No: 12%

Order Fulfillment Technologies

The following technologies were used and the Internet provided the greatest opportunity.

	Yes	Partially	No
Internet	47%	40%	13%
Bar Coding	63%	6%	31%
Automated Order Picking	54%	6%	40%
Weight Checking Tech.	93%	0%	7%

Automated Product Picking/Packing

Only 10% of all companies are using some automated means of picking and packing products. For companies with large order volume and relatively uniform products sizes, automation would provide significant benefits.

Breakdown of Systems Being Automated/Integrated

Below is the breakdown of automated and integrated systems.

	Automated			Integrated	
	Yes	Partially	No	Yes	No
Orders	84%	5%	11%	100%	0%
Shipments	89%	0%	11%	100%	0%
Customer Service	68%	5%	27%	95%	5%
Inventory	95%	5%	0%	89%	11%
Cost Accounting	68%	5%	27%	89%	11%
Financials	95%	5%	0%	84%	16%

WHO WE ARE

Since 1988, IMS has specialized in fast growth companies and companies under new management. Our industry leading professionals work with businesses that need significant improvements in IT capabilities or a complete IT turnaround, domestically and/or worldwide. The IMS team has extensive executive level experience in Fortune 500 companies in diverse industries.

IMS' core capabilities focus on retail, direct sales, consumer goods, and business services industries. Additionally we work with the private equity community performing due diligence and assisting in complete IT turnarounds. We partner with companies at the executive level to insure processes, IT strategic and implemented solutions are business driven and aligned with critical business objectives. IMS is based out of California and the New York tri-state area.

We Understand Business.

Leverage Technology.

Get Results.

