

Gung-Ho for Vanilla:

ASP Outsourced Solution a Priority for Time to Market

By Kathleen Goolsby, Senior Writer

Gung-Ho Company is a fulfillment vendor whose clients need someone to put multiple pieces of printing, packaging and media products together in a kit and distribute it to their customers. It produces and distributes, for instance, binders for Marine boot camps and binders with audio and visual tapes for motivational or high-tech training courses. Speed in distributing time-sensitive products is a primary reason Gung-Ho's clients call for its services, so the Nevada-based company needs an IT infrastructure that streamlines the process, resulting in faster time to market than its customers can achieve.

For the first year it was in business, Gung-Ho used its internal IT staff and applications. But a September 1999 high-volume project for H&R Block with a short time fuse changed that strategy and caused the fulfillment experts to seek the resources of an outsourcing partner.

Engulfed

The H&R Block project looked impossible at first.

Gung-Ho was to manufacture/put together more than two million software kits for a tax program and then deliver them to all of Block's commercial customers (such as Wal-Mart or CompUSA stores) across the U.S. It would mean 20,000-25,000 shipments over a five-month period, and 1.2 million of the kits had to be shipped during the first week as part of Block's huge product launch.

Complicating the process was the fact that customer-specific labels had to be affixed to the kits, and the final pack-out had to fit the individual requirements of each customer store.

But that was nothing, compared to the electronic processes or the logistical tactics.

The IT system for the H&R Block project would need to enable Gung-Ho to receive the order electronically. For each store's order, the software would then need to analyze the destination, determine which fulfillment plant was closest to the destination and determine which type of freight system (truck, UPS, air) was most appropriate for the weight of the shipment and achieving on-time delivery.

The software program then would need to automatically send emails to all the people involved, notifying them that an order had been received. The system also needed to electronically send daily confirmations from the assembly and distribution plants, including shipment weights and tracking numbers for each order. That information then needed to be electronically conveyed by the end of the day to H&R Block.

Besides integrating H&R Block's system into the to-be-built Gung-Ho system, they would have to integrate systems from all of the manufacturing facilities, as well as the assembly and distribution facilities. So that a freight carrier (such as UPS) would be able to determine how many trucks would be required for the volume of shipments, each freight carrier's systems also would need to be integrated with the Gung-Ho system.

The system also would need to keep track of inventory and handle the accounting process.

John Wade, president, CEO and founder of Gung-Ho, says he knew it would require "a very, very sophisticated computer system." But they had only laptops, a handful of PCs and a small LAN. There was no integrated computer system, and nothing was accessible via the Web. "So we had to go from that environment to one of integration;" Wade explains, "and that included purchasing all of the software, hardware and doing custom programming to handle those tasks. And

we had to have all of that up and running in less than two months from the time we got the contract—or else face a \$100,000/day penalty.”

Strength

But Gung-Ho knew it was doable if they crafted the right pieces for the puzzle. To compete effectively, today’s companies must rely on collective effort. Rather than trying to do everything themselves, they strengthen their organizations by outsourcing to leverage a provider’s expertise and resources. Gung-Ho decided to use ManagedOps.com, an Application Service Provider (ASP), to solve one portion of the puzzle.

“That was one thing we would not have to worry about,” recalls Wade. “They would make sure our hardware was up and running and make sure that the “vanilla” software was loaded, installed, configured and running.” Gung-Ho worked ‘round the clock with custom programmers, and then ManagedOps either allowed them access to the system to directly input the custom code or, in some instances, the ASP’s staff installed the code it received from Gung-Ho.

ASPs in early 1999 were still fairly new and undefined; so outsourcing to an ASP was a risk. But it was a calculated risk. “When you have something this intense, you need someone that is flexible and can move quickly,” explains Wade. “The top-tier outsourcers are just too big. Doing just the paperwork on contracts can take weeks. We needed somebody that could start implementation immediately.” He says the big outsourcers were also hosting “generic” environments, while his company needed specialists in Great Plains software (since acquired by Microsoft).

Great Plains’ top management gave ManagedOps the highest ASP rating and recommendation, and Gung-Ho’s due diligence found that the ASP was a subsidiary of a Great Plains installer and reseller. “With their history and strength

in knowing both Great Plains software and custom software, I felt confident they could handle the hosting model for us,” states Wade.

Value

For the 36-month period of its contract with ManagedOps, Gung-Ho considers a major component of the value to be “not having to worry about any balls or issues that are in their court.”

They also appreciate being able to brainstorm about solutions. “It’s a team approach rather than a hosting kind of thing,” Wade says.

That team approach enabled the solution for the H&R Block project to be implemented on time and successfully. Gung-Ho was paid according to the number of kits for which its system could produce confirmation data of delivery to Block’s customers. In five months, they were off by only five kits out of more than two million shipped!

The success rate was so high again in 2000 that, in 2001, Gung-Ho was given the added responsibility of handling electronic transmissions to Block’s customers to let them know in advance of the coming shipments. “It shows a tremendous amount of trust in us,” says Wade, “because we basically are doing this as though it’s coming from Block.”

Gung-Ho has that same trust in its ASP partner. “We are probably the customer that gives them the most challenges,” Wade admits. “But they don’t stick within the box or stay ‘vanilla.’ They just roll up their sleeves and go for it.”

Lessons from the Outsourcing Journal

- In order to be competitive, assembly, distribution and fulfillment processes require streamlining for faster time to market. Outsourcing is the ideal solution for streamlining.

- Outsourcing to an ASP provides a comfort level for the buyer, in that the ASP is responsible for ensuring the hardware is up and running and that the software is correctly installed, configured and running.
- An advantage of outsourcing to a smaller, specialized ASP instead of a larger provider is that the ASP will be more nimble and have the ability to move quickly to implement a solution.