



COUNTRYWIDE TIRE CASE STUDY

Rolling into the Future with the Right ERP Foundation

How Countrywide Tire eliminated IT headaches and created a new revenue stream with SAP Business ByDesign

ERP Upgrade by the Numbers:

- New revenue stream (20% of revenue)
- \$11,000/year reduction in IT expenses
- 12+ staff hours saved per day
- Headcount reduced by 9 employees
- 6-month implementation

By Peter Kowalke

Sometimes decisions are easy. The need for a better enterprise resource planning system became clear for Countrywide Tire, the largest inner tube distributor in the U.S., when it modified its existing system in early 2012 and found that the changes broke previous customizations.

‘We had a big problem,’ says Eric Johnson, vice president of operations for Countrywide Tire. ‘That was an event that kind of spurred us to say, ‘Hey, look, we’re really growing here. We need to get on a bigger platform, a more advanced ERP, and something that we can keep growing with.’”

Add-ons and modifications were a big part of Countrywide Tire's existing ERP system because one of the company's strategic differentiators was its ability to customize when competitors would not.

'The stuff that competitors say that they won't do, we love doing those things,' says Johnson. 'So we ended up doing a lot of add-ons and modifications because out of the box the software was good, but it just wasn't flexible enough.'

These custom modifications were becoming a maintenance nightmare, however, and they weren't the only IT struggles the company faced. As Countrywide Tire expanded beyond its primary warehouse, it found that its existing ERP system theoretically managed multiple warehouses, but in practice nobody could get the functionality to work.

And then there were the distractions and the time spent maintaining the system and all its customizations.

'We're a small company, and I wear a few a hats,' he says. 'Back then I was purchasing manager, IT manager, I did a lot of different stuff. So you can imagine if the server goes down, now I got to put on my IT hat, and I'm not as effective in my purchasing and other areas of the business.'



Time for a Cloud ERP

This wasn't the first time that the company had modernized its systems. As a forward-thinking company that leans heavily on data, Countrywide Tire had already embraced the personal computer a few years after its founding in 1976, and gone through two previous ERP upgrades. It knew the process of modernization, and quickly zeroed in on next wave of innovation in the ERP market: cloud-based ERP.

*After looking at Oracle (too clunky) and the latest offering by its existing ERP vendor (still not enough), Countrywide Tire went with SAP's promising, relatively new cloud-based ERP for fast-growing small to med-sized companies: **SAP Business ByDesign**.*

'I don't want to say the first, but we were one of the first to adopt the Business ByDesign software in the US market,' Johnson reports proudly.

With SAP Business ByDesign, Countrywide Tire would get a modern, scalable, easy-to-use ERP system built for fast-growing businesses and maintained in the cloud by one of the largest ERP providers, SAP. The system offered extensive configuration options without the need for custom code, but it also supported best practices and a quick implementation.

'What really attracted us to the software was that it was in the cloud, and that seemed to be where technology was going,' he says. 'We were kind of tired of the headaches of hosting our own server in our office, having to do maintenance, and worrying about downtime. So that convenience of having all that managed by SAP was a big bonus for us.'

Wait, Where Were the Implementation Headaches?

*When Countrywide Tire selected SAP Business ByDesign in June, 2012, SAP referred them to **Navigator Business Solutions** for implementation support, an SAP Gold Partner that specializes in SMB ERP implementations. Over the next several months, Navigator guided Countrywide Tire through the process of matching their business processes to the new system, migrating data, and configuring the system.*

The only significant challenge came when configuring prepaid freight. Countrywide Tire attaches freight costs as a part of the sale instead of charging customers, so it needed freight costs calculated for each sale but not showing up on invoices.

This was an unusual configuration that had not been encountered before, and at first nobody could figure it out. But the Navigator team worked on the problem and talked with one of their consultants who specialized in accounting functionality. Problem solved. As luck would have it, this consultant was in the middle of an implementation with another company that faced the same problem.

‘She actually had a solution that she had just worked out for somebody else the previous month,’ remembers Johnson. ‘Those guys are really resourceful.’

That hiccup aside, the rollout of the new system went remarkably fast for a complete system overhaul that included planning, migration, setup, training and testing.

‘You hear all these horror stories about one year, two years, three years,’ he says. ‘I believe it took us around 6 months, which was impressive to me.’

Countrywide Tire went live with its new ERP system in January, 2013, less than a year after deciding it needed a change.

Mission Accomplished: Simplified IT Systems

The new cloud ERP has achieved the company's goal of eliminating IT headaches and gaining missing functionality. All the cost and administrative burdens of maintaining an ERP system are gone, replaced by a solution that constantly refreshes itself.

'I always feel like we're on current software, and the software is evolving,' Johnson says. 'SAP seems pretty receptive to the users' feedback, and that's something I really appreciate, too.'

More than six years on, Countrywide Tire has not found itself limited by SAP Business ByDesign, either.

'To date, we haven't really made any modifications to the system,' he says. 'Because of the flexibility, we don't have to do the kind of modifications we did on our past system.'

'Every time we did one of those modifications, we'd have to pay for them to study and make sure it wouldn't interfere with anything, and then you have to pay for all the programming time. Now we're just able to do that in a couple of minutes, and we just need the correct feedback from the company and the employees, and we can make the changes.'



Bonus: Less Cost and More Efficiency

Countrywide Tire estimates that SAP Business ByDesign saves it roughly \$11,000 per year in IT costs over the old system when adjusted for inflation. But that's just the tip of the iceberg.

'If you factor in cost and efficiency, it's through the roof,' he says. 'There's been so much cost savings from Business ByDesign, it would be hard to even put a number on it.'

Data validation has improved accuracy at the company, and the emphasis on best practices within the ERP system has tightened up business processes. Automation is now more widespread, and reporting is much easier because all reports in the system can be exported in Microsoft Excel, complete with customization such as adding or removing fields.

'It really changed our data game and our ability to do tasks a lot more efficiently because we're not trying to do these workarounds to get it into an Excel format, or manually typing data in,' he says.

Another great example is invoicing.

'It used to take a full morning every day, sometimes into the afternoon when it was in the busier season. When we moved over to SAP, that changed into clicking a few buttons and it finishing in three minutes.'

After the first year, he calculated that the new system saved the company an average of 12 man-hours per day, adding the equivalent of 1.5 extra employees. And that was just the first year.

'I wouldn't even know how to measure it at this point,' he says, 'but I'm sure we're saving even more than that. As you can see, we've reduced our headcounts.'

Even though Countrywide Tire is growing as a business, the size of the company has shrunk from 32 employees at the time of system rollout down to 21 employees today. Johnson largely attributes this to the automation and efficiencies that have come from SAP Business ByDesign.

Don't Forget Business Growth

When Countrywide Tire first considered modernizing its backend systems, clearing away the IT headaches and adding efficiency were only part of its business case for system modernization. Looking ahead, the company also predicted that future growth would come from direct sales—and they needed a more robust backend system in place to make that happen.

‘We felt like the future was going to be doing direct container shipments from our factory right to the customer’s door,’ says Johnson. ‘That wasn’t something that our old system was able to handle.’

With the flexibility of their new ERP system, however, Countrywide Tire was able to launch a direct customer shipment service. This new service now accounts for roughly 20 percent of the company’s revenue, according to Johnson.

‘That’s a big increase in our revenue from just adding that business model, and I don’t think it would have been as possible or as easy if we hadn’t upgraded.’

Countrywide Tire isn’t done yet. Continuing the direct sales trend and acknowledging the direction of the industry as a whole, the company is now also working on expanding from the B2B model to also include direct consumer sales.

‘Today we’re almost 100 percent B2B, and we want to expand into the B2C realm. We’ve got a great website that allows our B2B customers to place their orders online, and we think that it would work for B2C as well. That’s something that SAP is allowing us to do easier.’

For Countrywide Tire, looking ahead has been a consistent practice that has served the business well for more than 30 years. Supported by the latest technology, this trend continues. Like the inner tubes they sell, Countrywide Tire doesn’t stay stationary for long.