



Expanded Services Expand Profitability by 10 to 15 Percent

Overview

Country: USA

Industry: US Pallet Industry

Customer Profile

East Industries, Inc. is a pallet remanufacturing and recycling company that specializes in reusable wooden pallets and shipment packaging. Employing approximately 50 people, East Industries, Inc. is located in North Carolina.

Business Situation

East Industries was looking to expand its client services by establishing an extranet to develop a more collaborative relationship with its best customers.

Solution

Consulting with Harrison Technology Consulting, East Industries determined that by upgrading to SBS 2003 Premium Edition, they would gain the tools and infrastructure required to support the extranet.

Benefits

- Increased customer satisfaction.
- Increased profitability by 10 to 15 percent.
- Reduced spam by over 95 percent.

“East has learned to squeeze efficiencies and profits out of an operation in an extremely competitive industry. And they’re using technology as the primary competitive advantage.”

Jason Harrison, President, Harrison Technology Consulting

Looking for new ways to strengthen long-term customer relationships, increase productivity, and improve profitability, East Industries saw a wide range of opportunities by upgrading to Microsoft Windows Small Business Server 2003 (SBS 2003). By utilizing Windows SharePoint Services, new to SBS 2003, they established an extranet to improve client services and strengthened the relationships. With the improved security, better performance, simplified management, and increased functionality, East Industries was able to increase productivity. Utilizing the improved collaboration tools in SBS 2003 and new functionality in Microsoft Office 2003 to build a new inventory management and reporting structure, East industries improved profitability by an estimated 10 to 15 percent.

Situation

Located in Rocky Mount, North Carolina, East Industries is a pallet remanufacturing and recycling company. With U.S. \$3 million in annual revenues, East Industries is part of an estimated U.S. \$10 billion U.S. pallet industry.

As a pallet recycler, East is dependent on incoming shipments of used pallets from its customers for raw materials to build recycled pallets to be sold back to its customers. East has a logistical arm that picks up pallets, returns them to East, then sort and grades them based on condition. The pallets are sorted as readily reusable, repairable, or recyclable - each successively more labor intensive. The readily reusable pallets are put directly into inventory. The repairable are put back into inventory after the broken boards are replaced. The recyclable are torn down for raw materials inventory and used to repair the repairable or to be built into entirely new pallets. Any unusable boards are sent to a partner company to be turned into mulch that is sold to garden centers.

Labor is East's main cost to remanufacture pallets. Therefore, the lower the quality of an incoming shipment, the more labor is required and the less profitable the transaction. Furthermore, when recycled materials inventory fall short of demand, East is forced to buy new materials that are much more expensive than recycled materials - again substantially lowering profits.

Over the last several years, with the aid of Harrison Technology Consulting, East created an expanded inventory management and reporting system to better manage profitability and enhance its customer relationships. The system tracks inbound receipt, grade, and the relative value of various sizes of pallets and packaging materials for proper accounting of all transactions. Reports are sent to the customer for review and confirmation. The reports document credits and debits to

customer accounts, rewarding the customer for supplying higher quality used pallets. This new type of customer relationship has become a significant competitive advantage for East.

Fixed Pricing in a Negative Economy

The recent economic downturn has had negative consequences for East. "Our basic business has shifted as a result of the economy," says David Wilson, President and owner of East Industries. "Key customers are sending us less ready-to-use pallets per truckload. More pallets need repair, are in pieces, or are just scrap. If I don't know precisely the quality of the 4000 pallets coming in each day, the bottom falls out of my bottom line." To deal with the new quality challenges, fixed contracts need to be renegotiated to better reflect the associated costs, or better yet, a new level of detail needed to be communicated with East's customers to allow for more variable pricing.

Inefficient Customer Service

Because of multiple customer requests for reports, rebuilding and resending them has become a productivity issue costing East 15 to 20 hours per month. Reports frequently are lost or misplaced, or higher-level executives in other geographic locations request additional copies of the reports requiring them to be resent a third or fourth time. To resend the reports, the management team must collect and recompile data that is already available in the system but not readily accessible. A new collaborative approach needed to be devised for reporting information efficiently to customers.

Clear Communication of Complex Relationship

Because of the competitive nature of the industry, for better customer retention, it is critical for customers to fully understand the scope and value of East's services. East has many relationships to manage within each major customer account, including management, purchasing, warehouse, and administration personnel. Each different

relationship only sees part of the service offering. Therefore, a new decision maker in the purchasing department, not fully understanding the scope and value of East's service offering could disrupt a longstanding customer relationship.

East determined that it needed to establish an extranet to open more collaborative customer relationships. The extranet would support a new inventory management and reporting structure providing better communication at a new level of detail, with more efficient customer service, and help clearly communicate the value of the complex relationship. The extranet could be used to automate manual processes providing a new productivity boost and allowing for an expansion of customer services.

Solution

To create the infrastructure needed to implement the extranet, East upgraded its server to Microsoft® Windows® Small Business Server 2003, Premium Edition. The extranet was implemented using SharePoint Services and secured using Internet Security and Acceleration Server 2000 (ISA). The extranet was used to expand East's services and their efficiencies.

Previous System

East's network is set up on a single server supporting 6 desktops, one Tablet PC, and 7 users. They outsource all technical work to Harrison Technology Consulting as an economical alternative to supporting an internal IT staff. East was operating on SBS 2000 and has been using the SBS suite since SBS 4.5. East uses SBS because of the cost efficiencies of the suite, the range of features offered, and superior ease of management verses the various alternatives.

Upgrade Rational

"We saw some significant advantages to moving to SBS 2003," According to Jason Harrison, President of Harrison Technology

Consulting, participating Microsoft IT partner. "SharePoint was a real big drawing point because we were looking to open an extranet environment for customers to interact directly with the employees. There were some changes to Exchange on the backend as with its new spam filtering capabilities. SBS 2003 was secure right out of the box which is important because the company uses broadband with an always on connection." East chose the Premium over the Standard Edition because it included ISA Server 2000 that is critical in keeping the extranet secure.

Upgrading to SBS 2003

Rather than doing a fresh setup on a new server and migrating the data, East chose to simply upgrade the existing server. There were a couple of steps to prepare the server before the upgrade could take place. First and most importantly, all services and third party applications were shut down to produce a good backup image of the server in case there was a need to restore the system. Secondly, there are some included tools used to prepare services such as the Active Directory to be upgraded to the 2003 version. "The entire process went very smoothly and only took me about three and one half hours," says Harrison. "The actual installation of the product took about 30 minutes. Then there was some testing and several third party applications that required updates that took the bulk of those three and a half hours."

Securing the Server

When exposing portions of the network to the internet as done with an extranet, security is vital, so East used ISA Server 2000 as a firewall to secure the SBS 2003 server. Even though SBS 2003 comes completely secure out of the box in terms of default settings, Harrison insisted that the ISA Server 2000 should be configured to oversee the network for protection when new network vulnerabilities are discovered, especially in a broadband environment where there is nobody overseeing the network. ISA's

intrusion detection was configured to email Harrison Technology Consulting of suspicious activity so they can respond immediately.

Implementing the Extranet

Windows SharePoint Services provides a default website that is preconfigured as an intranet/extranet to be manipulated by its users. It allows you to create additional sites and sub sites, manage user access and rights, manage documents, and it provides an assortment of collaborative tools.

"SharePoint Services comes out of the box as an internal website so I had to tweak some of the IIS and default settings to expose it to an external connection," says Harrison. "We wanted to limit the access to the internal site so only East employees could access it, but each sub site was set with different permissions so that the customers could access their respective sites in addition to East employees."

When a customer points a browser at the sub site, they are prompted to input a user id and password. With Windows SharePoint Services, each client login counts as a workstation being connected to the system. East had to increase the five client access licenses to 10 to cover clients logging in as additional concurrent users. As customers become more aware and start taking advantage of the features and functionality, East may have to extend client access licenses further to support the additional concurrent connections.

Expanding Client Services

The new inventory management and reporting system has been redesigned to take advantage of Windows SharePoint Service's functionality. It provides new reports, process automation, and new management tools. Now with Windows SharePoint Services, reports and graphs are posted to the clients SharePoint site document library to be viewed. SharePoint then automatically notifies all interested parties of any new reports through e-mail saving 15 to 20 hours of East's administration time. A customer's

complete up-to-date account status is available in near real time. With this platform, a new level of detail can be communicated with customers in a collaborative format allowing for a more variable pricing structure. East still has a lot of paper based processes requiring double entry, but there are plans for using InfoPath to do more data capture in the warehouse and production areas utilizing wireless and the Tablet PC.

Benefits

The benefits felt by East are enormous. They have expanded profitability by an estimated 10 to 15 percent, increased customer satisfaction, and provided significant productivity boosts.

Efficient Communications and Increased Customer Satisfaction

By using Windows SharePoint Services and the integration among Office 2003 applications, the process of communicating information to the customer is more efficient. A customer's complete up-to-date account status is available in near real time. Site information includes product diagrams developed in Microsoft Office Visio® Standard 2003 drawing and diagramming software; customer-specific data including current pricing, order and production status, scheduled delivery times; and a snapshot of all services provided by East Industries. Customer satisfaction has increased along with the perception of East adding real value to its products and services.

Comprehensive Inventory Capture Part of an Estimated 10–15 Percent Cost Savings

Migrating data to Access 2003 is the basis for the data entry portion of the solution. Reports are now generated through Access 2003's new Snapshot Views or in Table View tied to the customer's workspace on Windows® SharePoint™ Services. This eliminates the need to re-enter a majority of

the data into Excel. Customers then are notified of updates by automatically generated e mail or through other alert services built into Windows SharePoint Services. Users were already comfortable with this data entry tool and the business logic used to prepare reports and graphs, so the new solution was easy to learn.

Now with projected order volume, East can predict demand three or four weeks out and prepare accordingly. Managing inventory for demand can eliminate the need to purchase new materials for remanufacturing and repair. As a result, the company's cost of production is reduced and the overall bottom line improves. "East has learned to squeeze efficiencies and profits out of an operation in an extremely competitive industry. And they're using technology as the primary competitive advantage," says Harrison.

Ease of Upgrade

"Each successive upgrade from SBS 4.5 on has been a big improvement," says Harrison. "From version 4.5 to 2000 was a huge improvement, to 2003 it was a quantum leap. SBS 2003 is by far the tightest most integrated installation that I have seen to date. The process is much quicker, much easier, even with an in place upgrade." Instead of setting aside a weekend as he has done with previous versions, Harrison is comfortable with his ability to accomplish the same task in just a few hours.

Remote Employee Access

In the past, East only set up VPN connections for a couple of the staff because of the cost and time required to set up and maintain the connections. Now they can extend that functionality to everyone without having to go to each users home. SBS 2003 greatly simplified connectivity by integrating existing features into an intuitive interface through Remote Web Workspace and removing many of the administrative functions that were previously needed to create connections. The service is secure out of the box and allows

East to use the advantages of HTTPS verses a VPN connection.

New Exchange 2003 Functionality

Exchange Server and the Outlook client made some significant improvements in 2003. They have a new spam filtering feature that has reduced East's spam by more than 95%. The new Outlook design is much more intuitive. Outlook Web Access now has the look and feel of the client application requiring less training and is secure right out of the box requiring less administrative overhead.

More Insightful Reporting

Due to the inventory management system redesign, additional reports, graphs and queries are now available to management. The new information is used for inbound materials analysis which helps control costs and pricing. Again, without the new Access 2003-based solution, much of the information in East's database was not accessible, impacting profitability and customer satisfaction. Wilson says, "With the expanded inventory management solution, we expect to see a 10 to 15 percent cost savings that will come from a combination of more accurate capture of incoming pallet condition, increased customer retention, and operations efficiencies via better reporting."

For More Information

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For more information about Harrison Technology Consulting products and services, call (252) 462-0573 or visit the Web site at: <http://www.harrisontechconsulting.com>

For more information about East Industries products and services, call (877) 546-8651 or visit the Web site at: <http://www.eastindustries.com/>

Windows Small Business Server 2003

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For more information about Windows Small Business Server 2003, please visit: <http://www.microsoft.com/sbserver>

Software and Services

■ Products

- Microsoft Office 2003 Professional
- Microsoft Office Access 2003
- Microsoft Office Excel 2003
- Microsoft Office Outlook 2003
- Microsoft Office Infopath 2003
- Microsoft Small Business Server 2000
- Microsoft Internet Security and Acceleration Server 2000
- Microsoft Outlook Web Access
- Microsoft SQL Server 2000

- Microsoft Windows Server 2003 Standard Edition

■ Technologies

- Microsoft Windows SharePoint Services

Hardware

- 3Com Ethernet backbone
- Dell Dimension 8200 desktops
- Motion Computing Tablet PCs
- Dell Power Edge 1300
- Cisco System 827 DSL router

Partners

- Harrison Technology Consulting

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